

STB Hearing: Ex Parte 724

April 10, 2014

235859

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Testimony of BNSF Railway

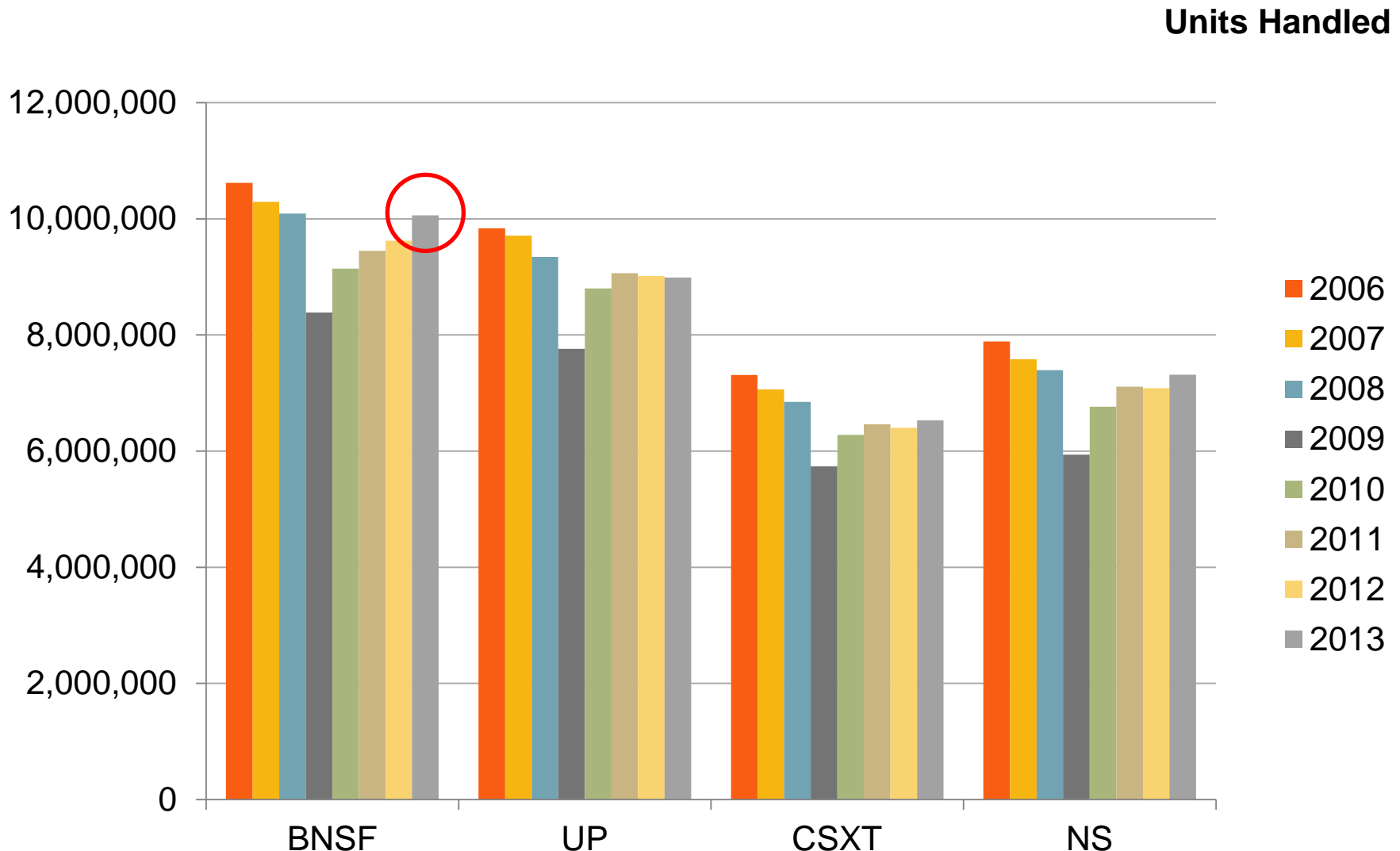
Steve Bobb, Executive Vice President, Chief Marketing Officer

Bob Lease, Vice President, Service Design and Performance

Overview

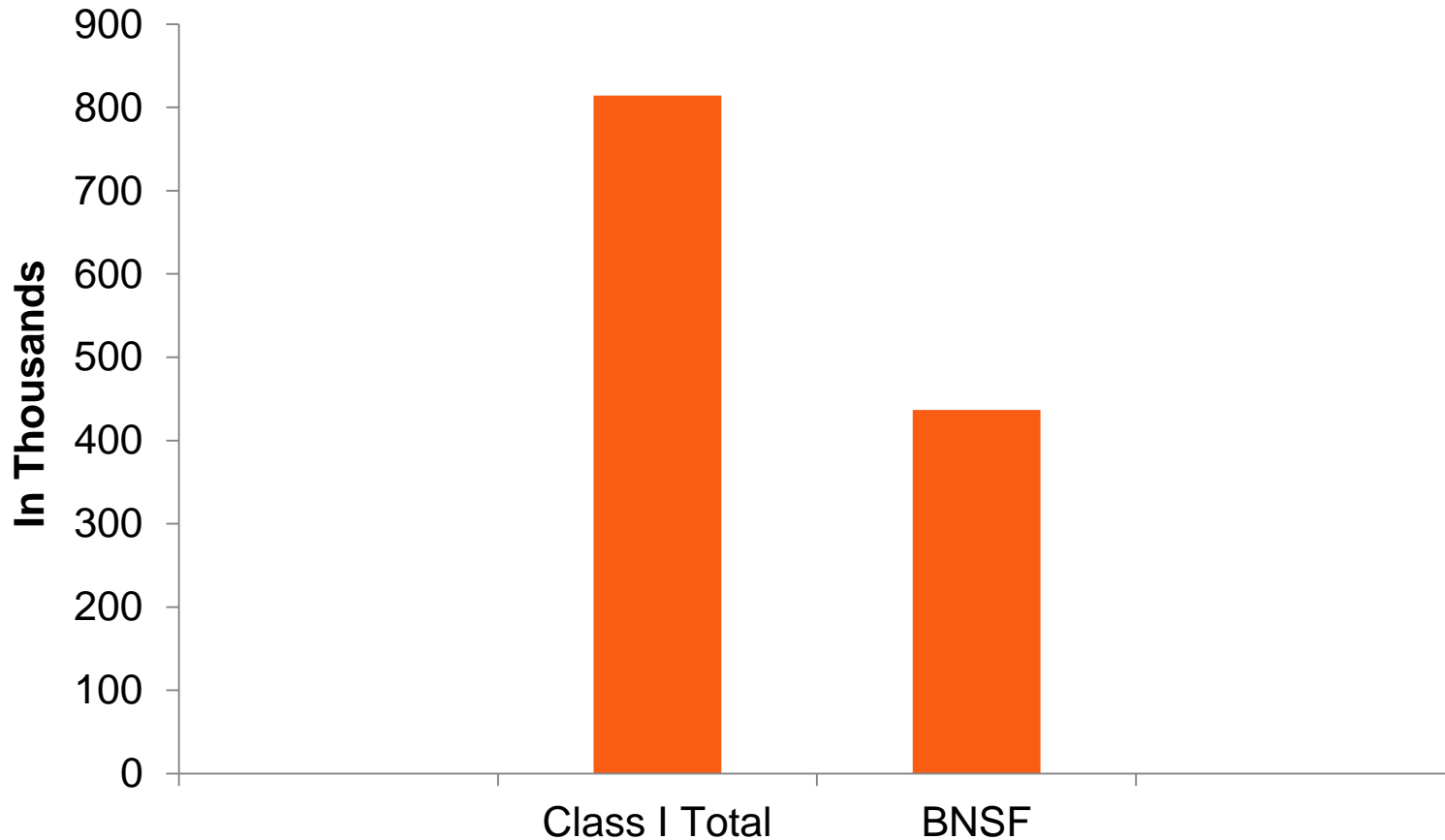
- **Introduction**
- **Drivers of Congestion**
- **Recovery Efforts**
- **Service Expectation Going Forward**
- **Customer Outreach**
- **Conclusion**

As Economy Improves - Rail Traffic is Rebounding



BNSF Moved Over 50% of 2013 Growth on U.S. Rail

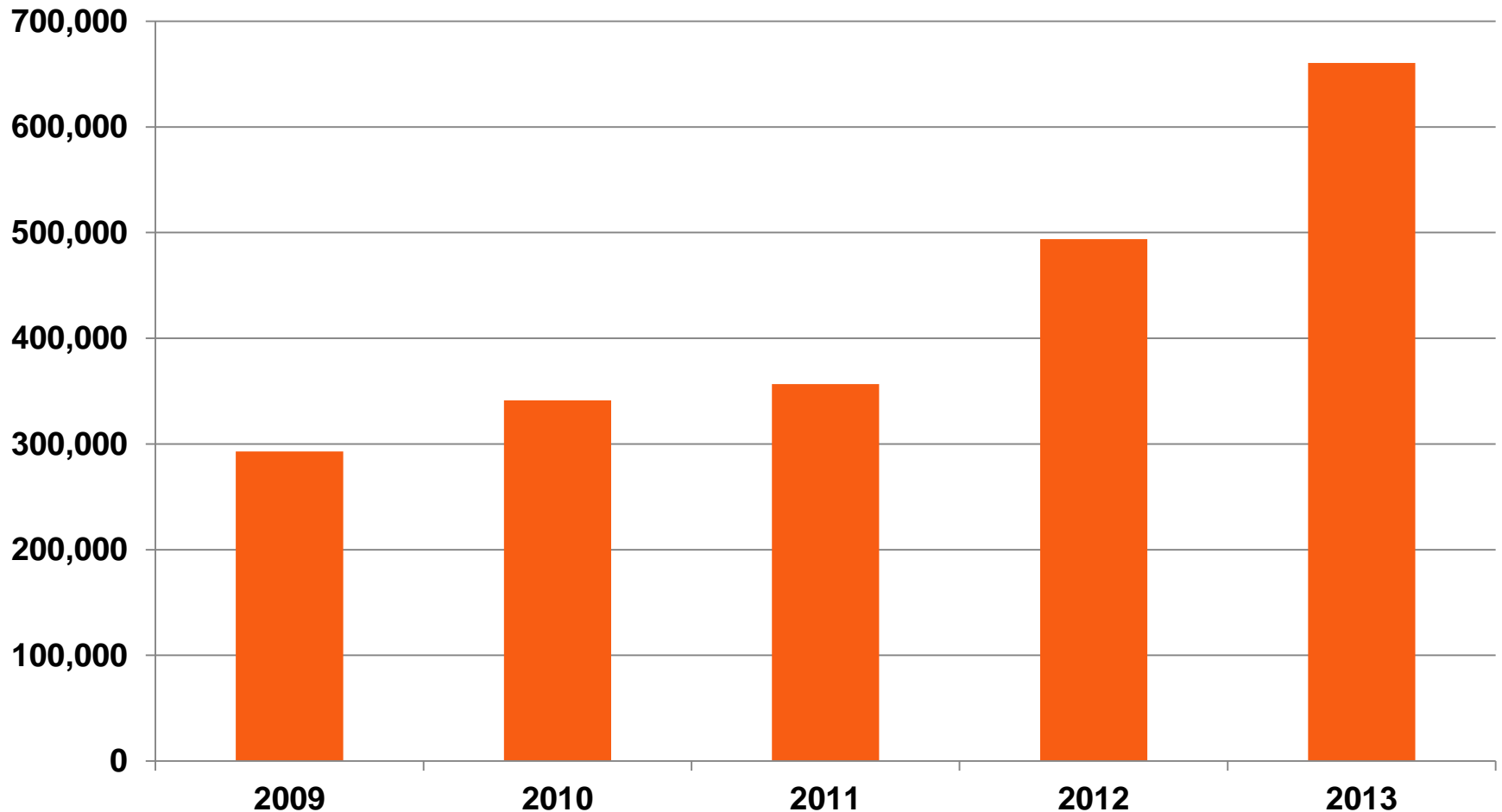
Incremental Unit Growth vs. 2012



North Dakota Almost Half of That Growth

125% Increase Since 2009

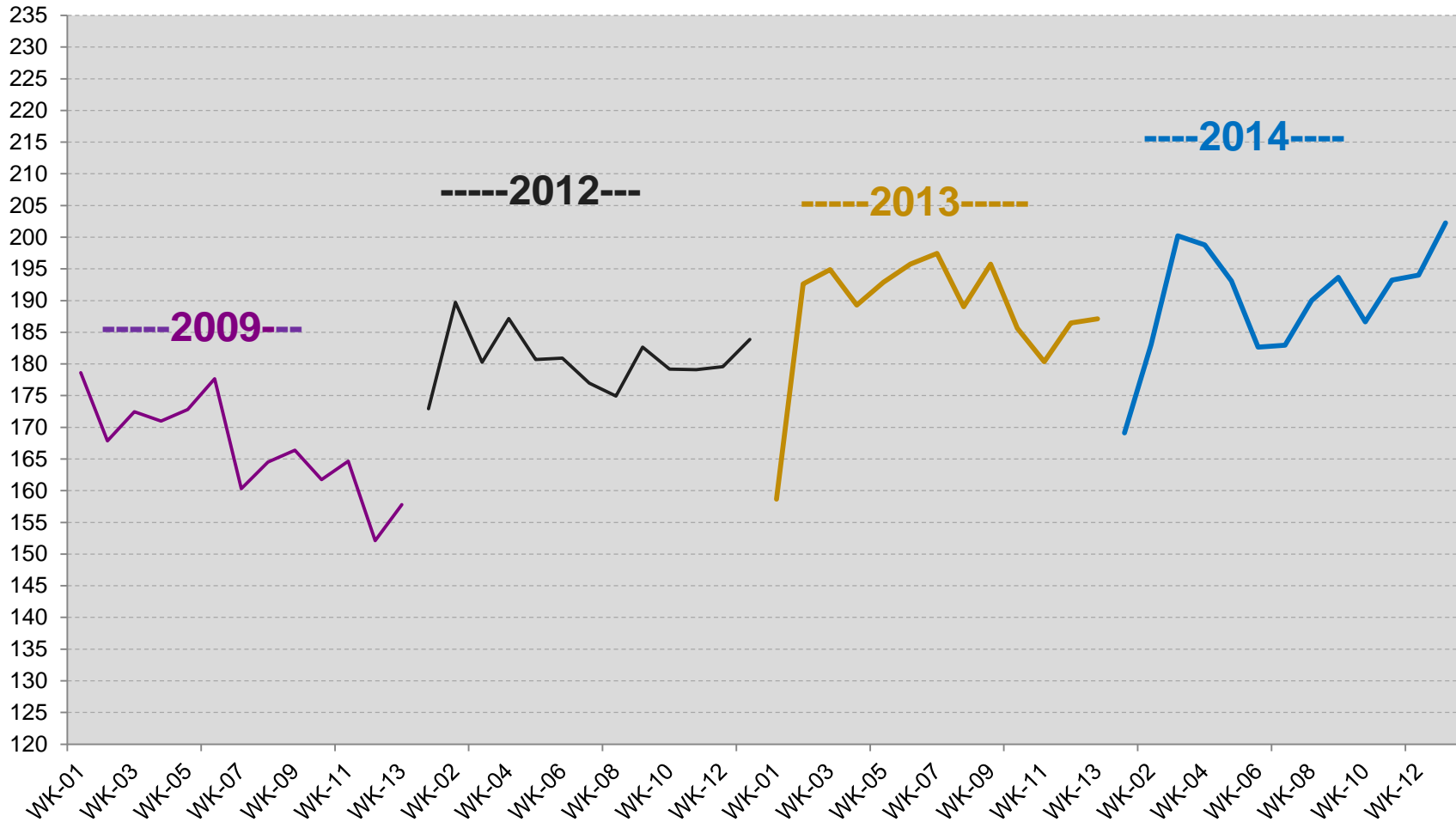
Total Units-Originated & Destined



Volume Continues to Grow Today

BNSF Weekly Volume: AAR Weeks 1-13

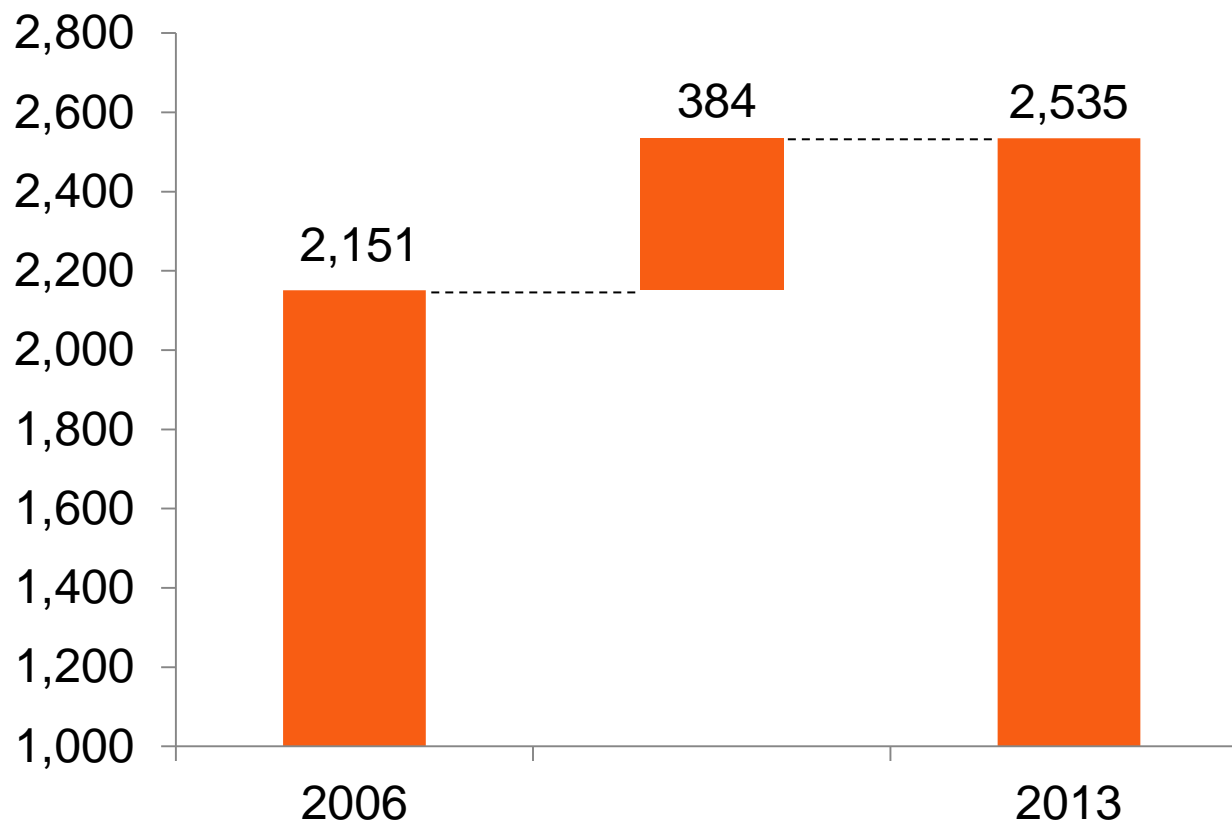
In Thousands



Domestic Intermodal Volumes

Since 2006, Domestic Intermodal has been BNSF's largest unit growth

Units (000's)

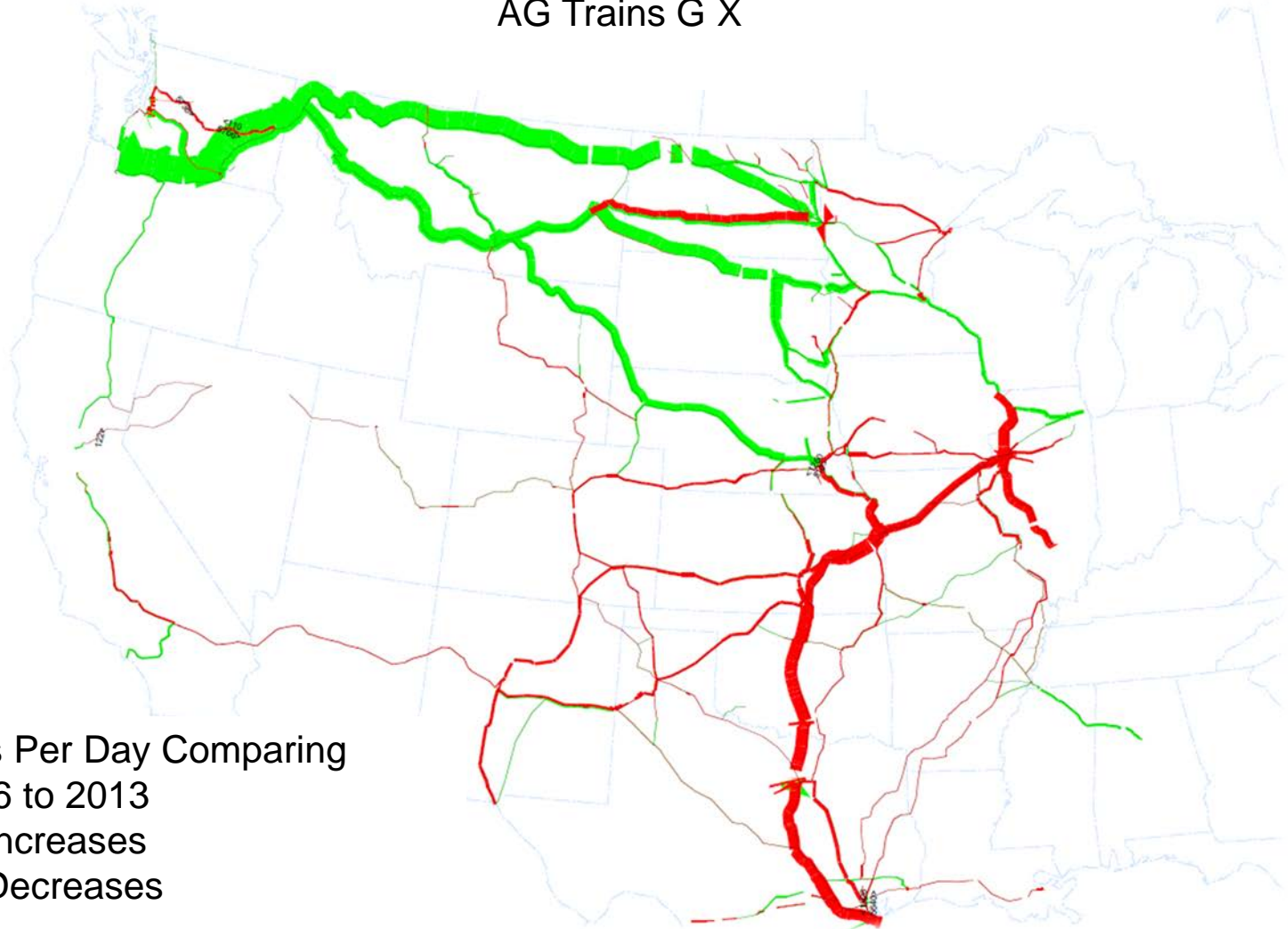


Note: Petroleum grew 324k units during same time period.

BNSF Ag Volumes- 4Q 2006 and 4Q 2013

Compressed Harvest made Additional Demands on Network

AG Trains G X



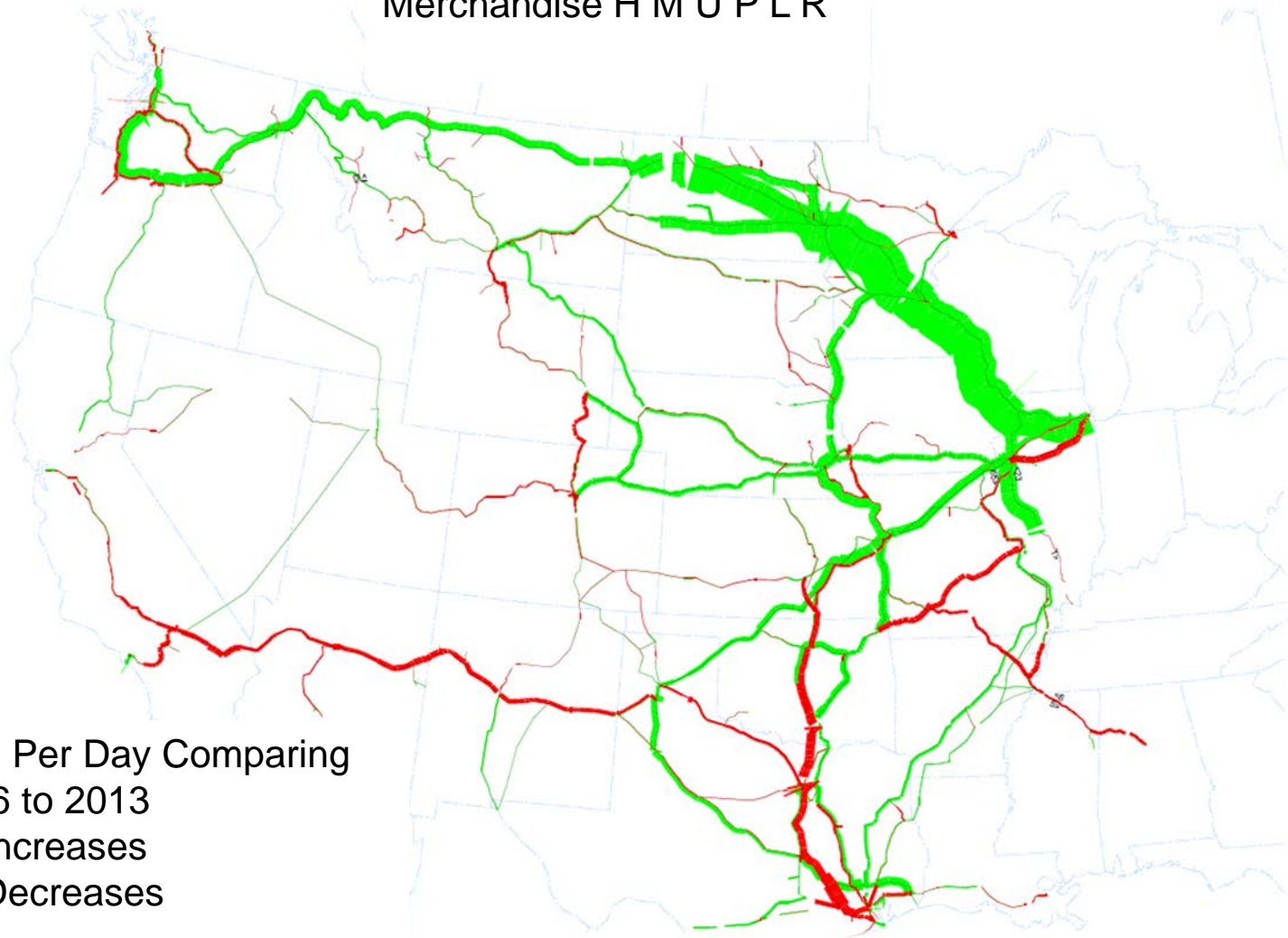
Gross Tons Per Day Comparing
4th Qtr 2006 to 2013

- Increases
- Decreases

BNSF IP Volumes- 4Q 2006 and 4Q 2013

Industrial Product Volumes also Increased, then Surged

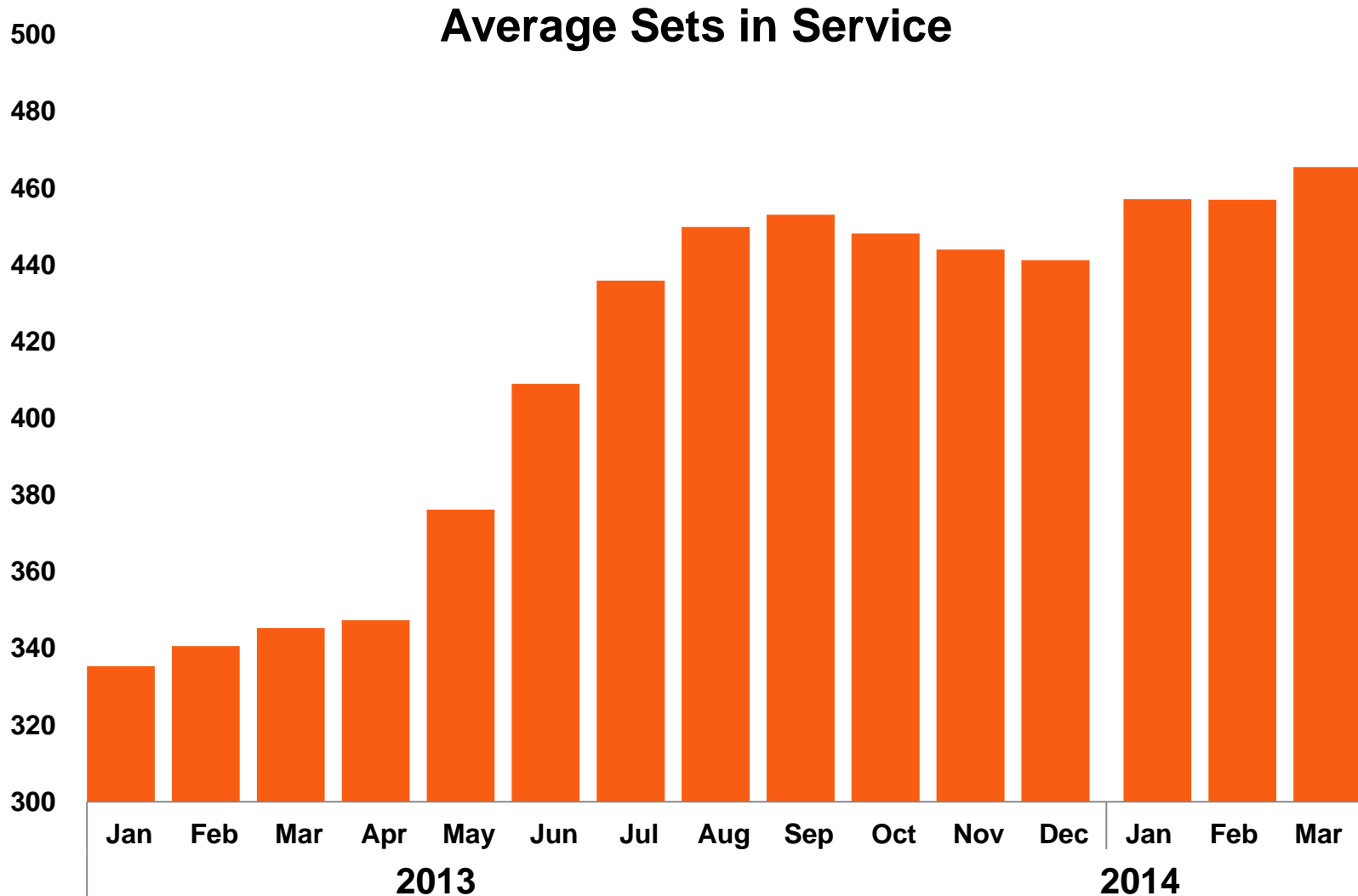
Merchandise H M U P L R



Gross Tons Per Day Comparing
4th Qtr 2006 to 2013

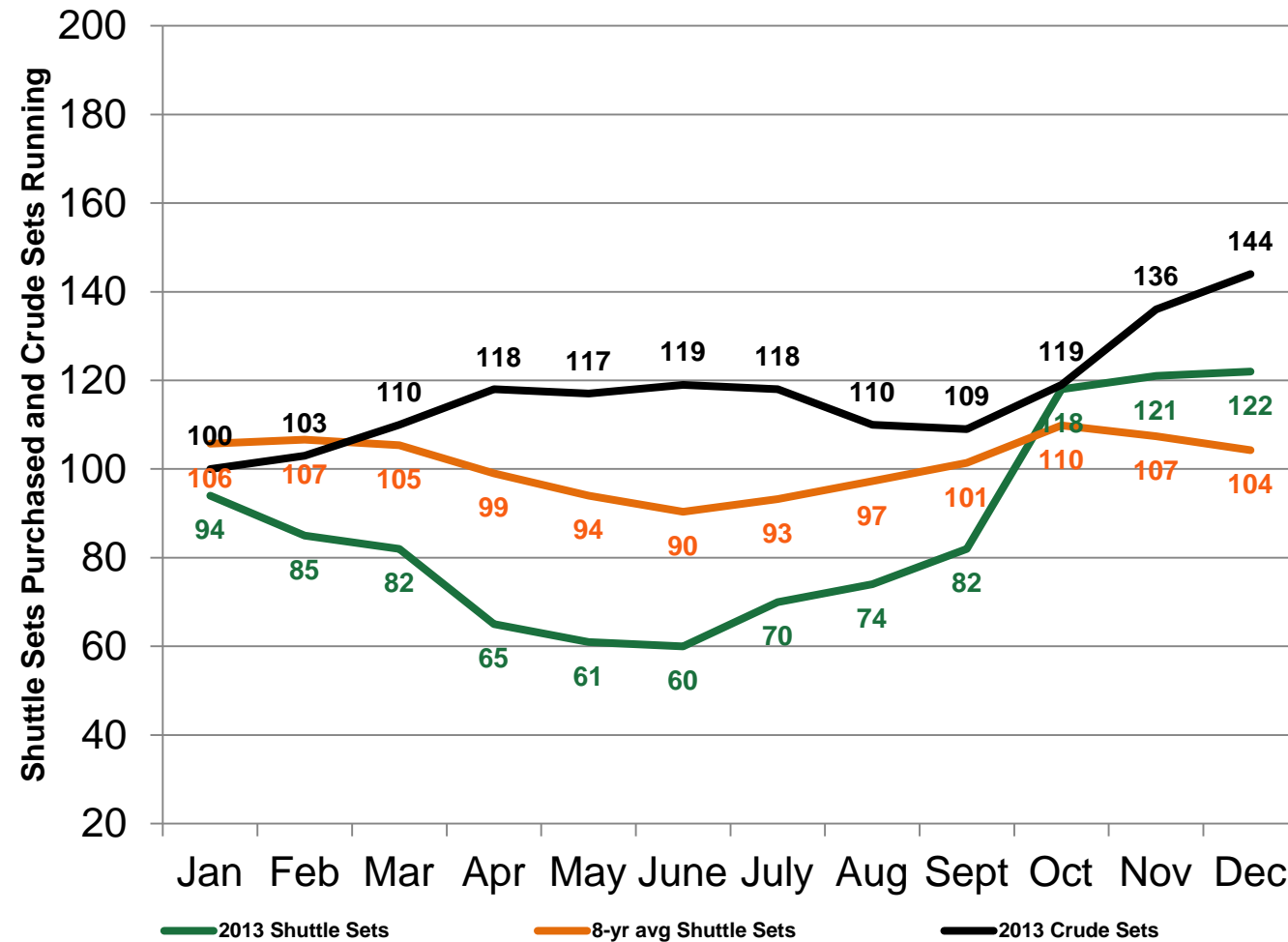
- Increases
- Decreases

Coal Sets in Service Rise Mid-2013

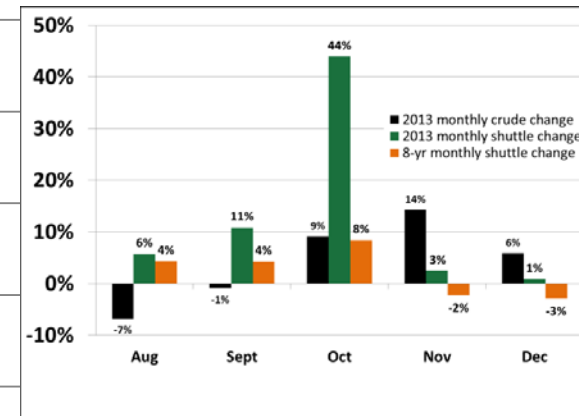


Results Manageable Until Oct. 2013

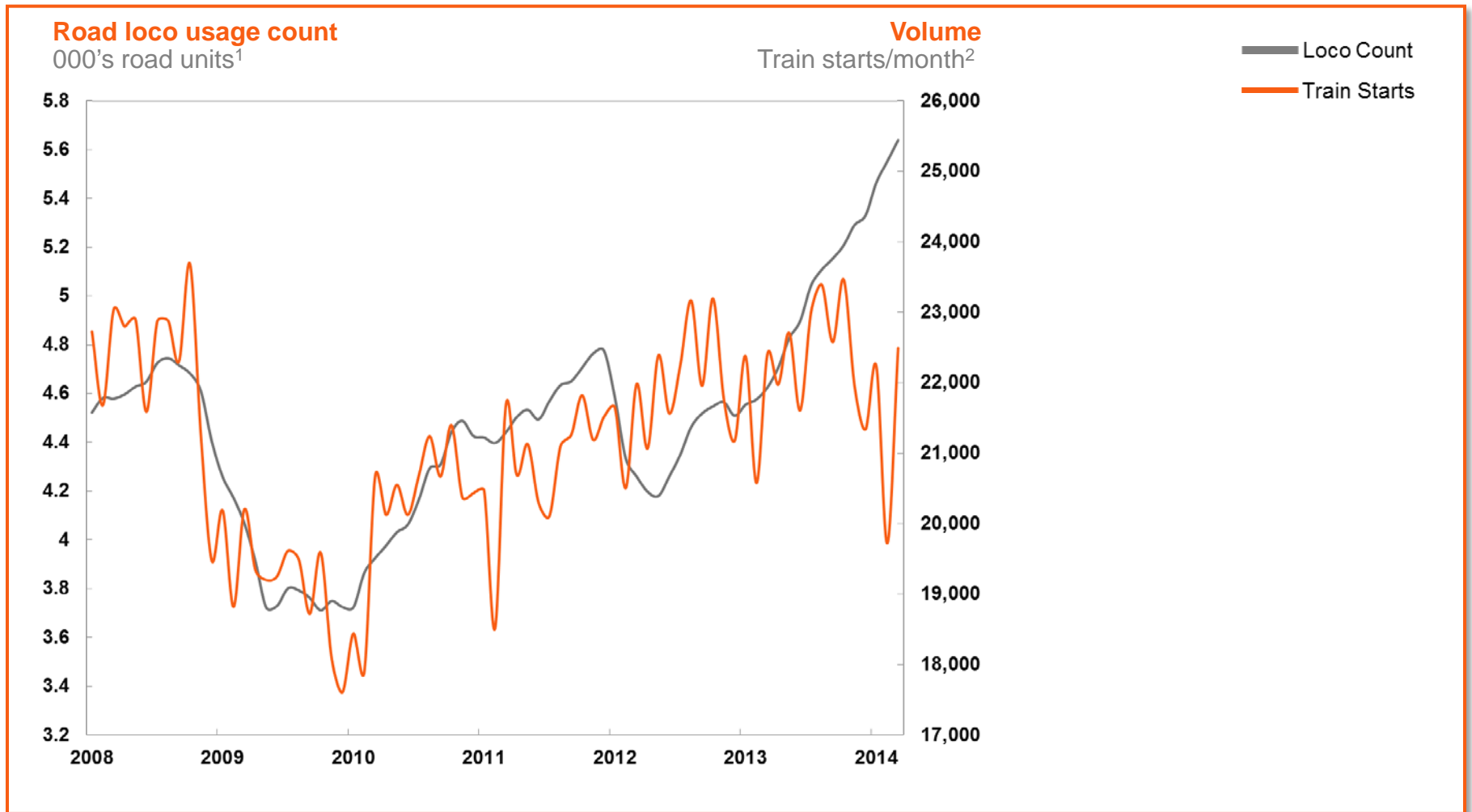
Crude and Ag Traffic Surged in October



31 of the 36 Sept – Oct 2013 activations were in a 10-day period, Oct 1-10 ... at request of shippers, matching harvest timing.



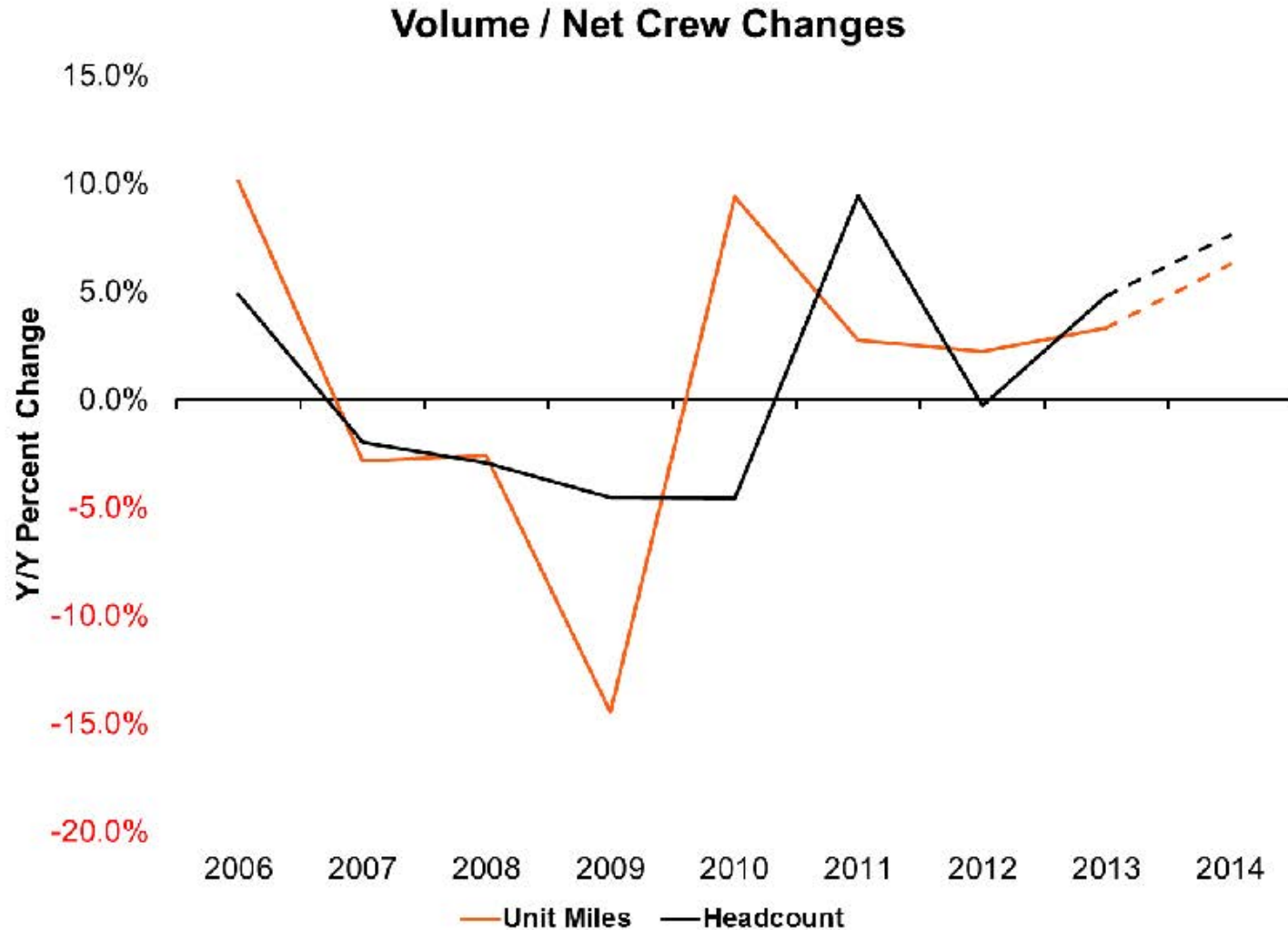
Number of Locomotives Added With Volume Growth



1 "Loco usage" of "road" category by month

2 Originating trains

Train Crews Have Also Kept Pace with Volume Growth



Northern Transcon: Increasing Capacity

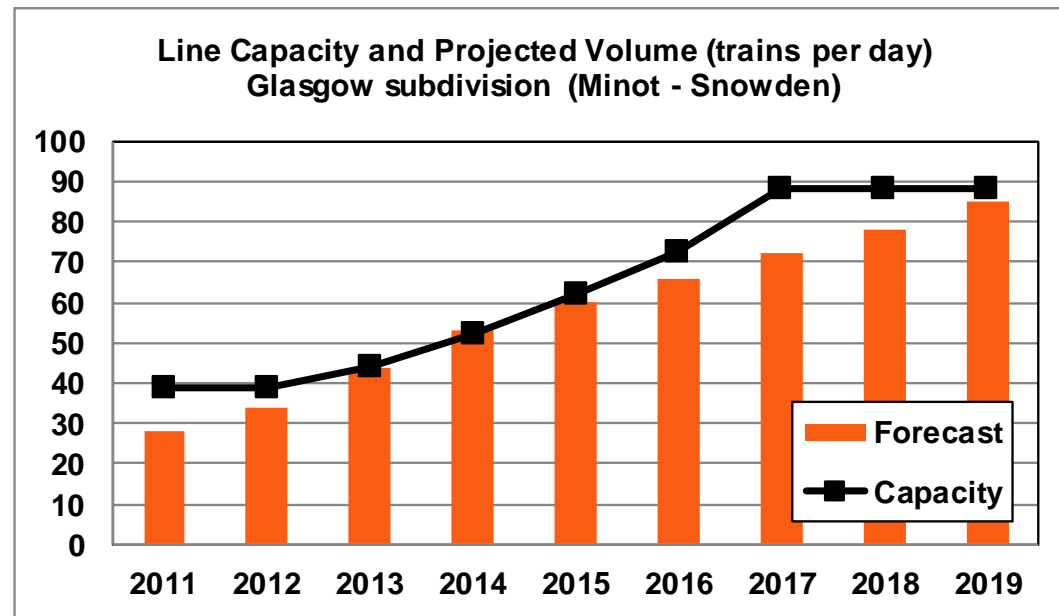
Significant expansion investments made and are planned

New capacity has struggled to keep pace with significant volume increases

Goal: Add capacity to meet, and then exceed, volume

Glasgow subdivision:

- Construct 115 Miles of Double Track between 2013-2016
- 4 New Sidings Constructed since 2012
- 2012-2016 Total Line Expansion Capital for Glasgow Sub: \$396M



Extreme Cold Weather Causes Service Setbacks



Velocity/Capacity Impacted

- Shorter trains required due to temperature; impacts crew and locomotive availability
- Employees allowed to work no more than 20 minutes outdoors followed by 10 minute warm-up

Significant personnel added to remove snow, clean switches, keep railroad running through winter storms

- 24-hour crews positioned to keep rails clear of snow and ice

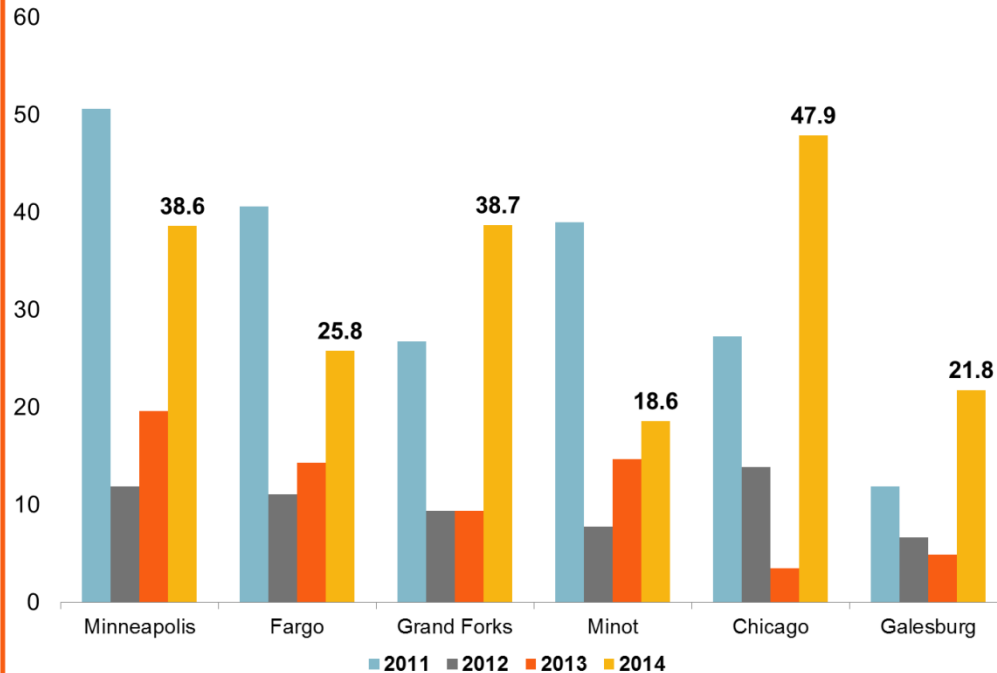
Chicago complex severely impacted



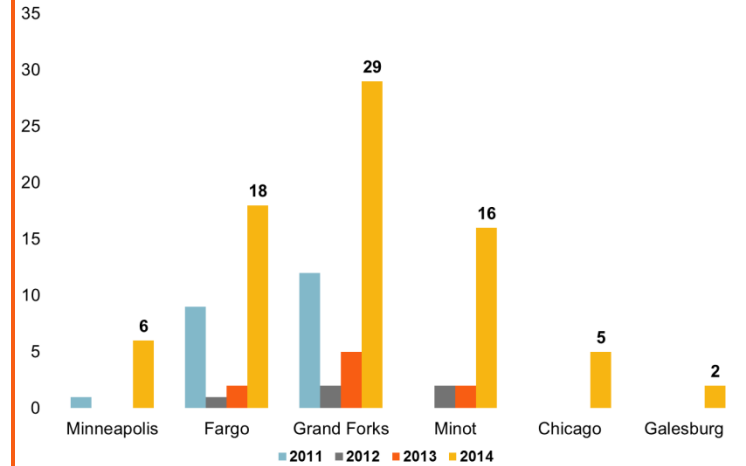
Northern Transcon Weather Extremes

- Days below zero and below -15 degrees increased significantly during this winter
- Chicago snowfall up substantially versus prior years

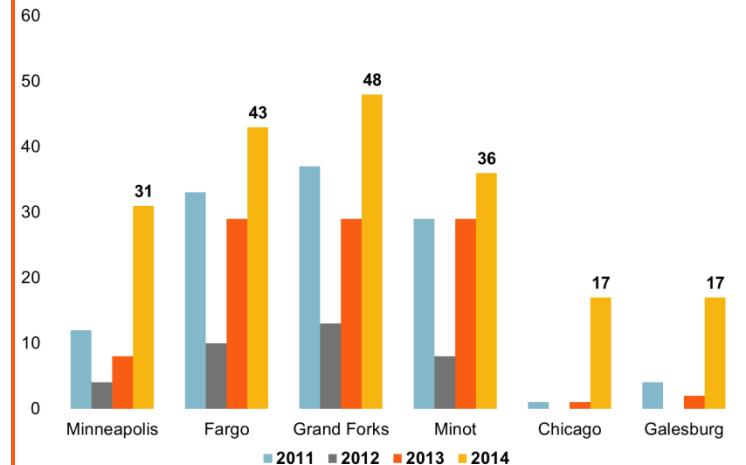
December - January Cumulative Snowfall (inches)



December - January Days Below Minus 15 (degrees Fahrenheit)



December - January Days Below Zero (degrees Fahrenheit)



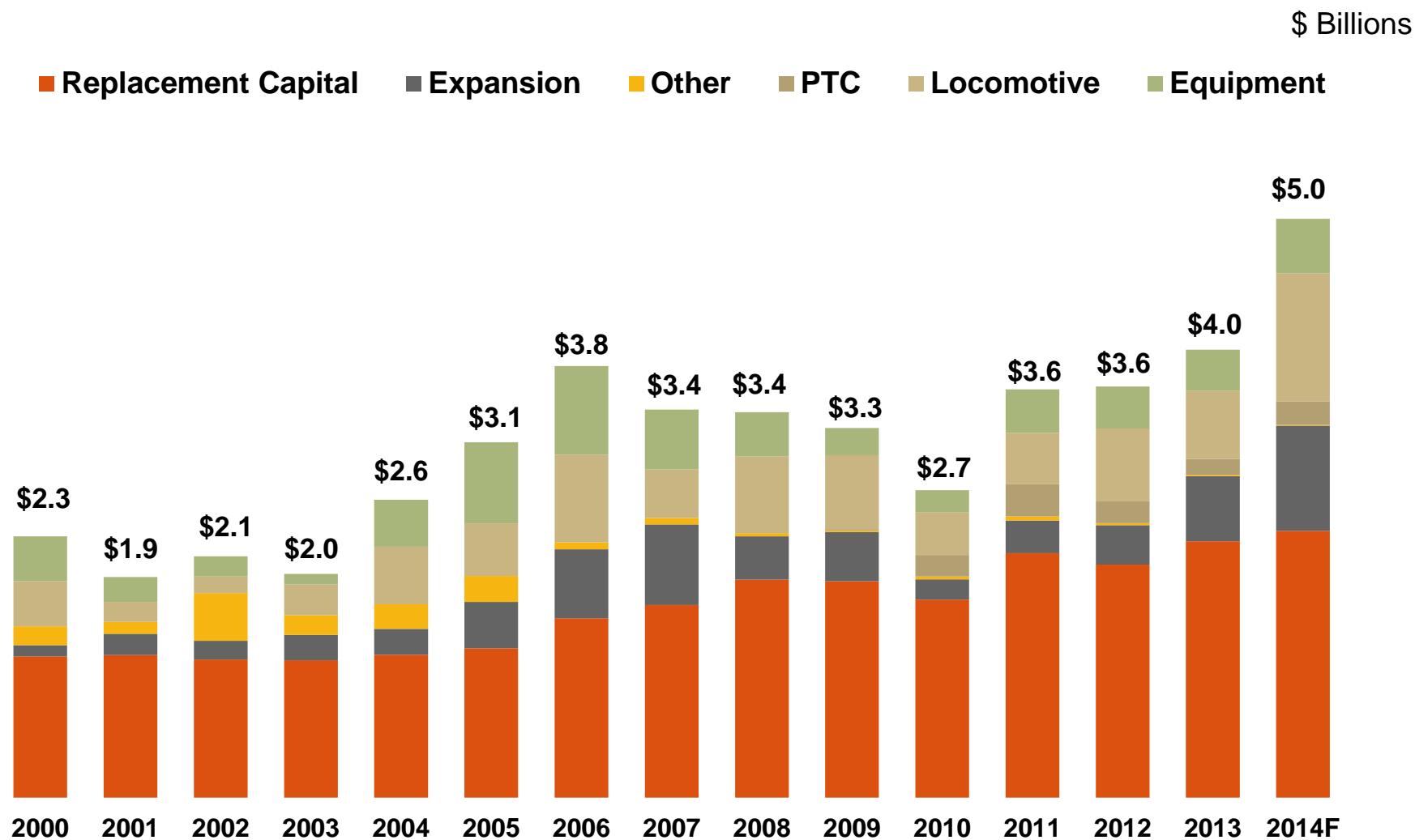
BNSF Taking Aggressive Short-term Action

Over-sourcing the Railroad, Focus on Areas of Highest Impact



- Adding approximately **300 new TY&E employees** in the North, Jan.-Apr. and about **1,000** for the full year.
- Deploying additional locomotives. Added more than **400 locomotives** since last fall. Will add more than **100 new locomotives** this quarter. Active fleet is up **900 locomotives** year over year with cumulative effect of new, leased and reactivated surge fleet.
- **Temporarily assigned field supervisors** from across the system to key locations to assist in restoring velocity.
- **Improved processes** to decrease response time from point of customer notification to initiating action for severe service issues.

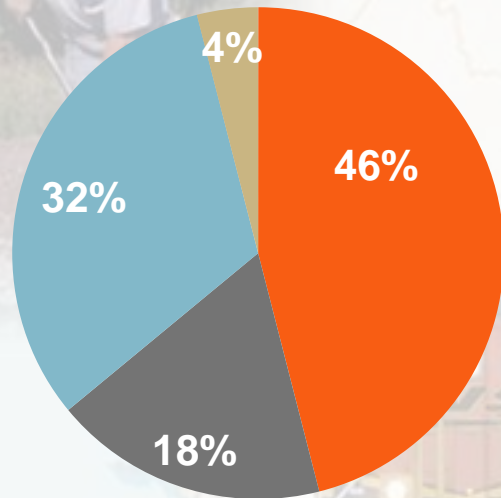
We are Deploying Unprecedented Capital



Record Capital Investment

Ensures Future Capability and Reliability

BNSF's 2014 Capital Commitment \$5B



- Core Network and Related Assets
- Expansion and Efficiency
- Locomotive, Freight Car, and Other Equip
- PTC



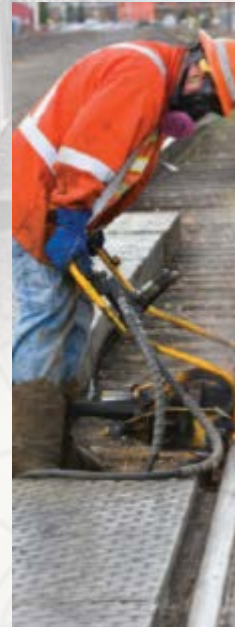
\$2.3 billion

Core Network and Related Assets



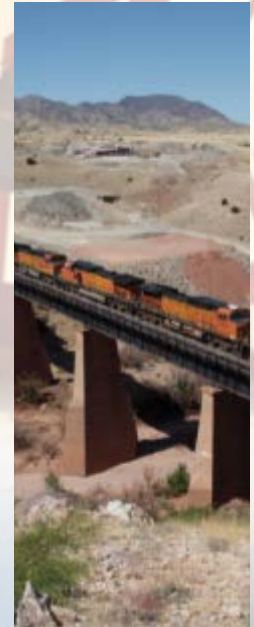
\$1.6 billion

Loco, Freight Car, & Other Equip



\$900 million

Expansion & Efficiency



\$200 million

PTC

BNSF Long-Term Actions to Add Capacity

People

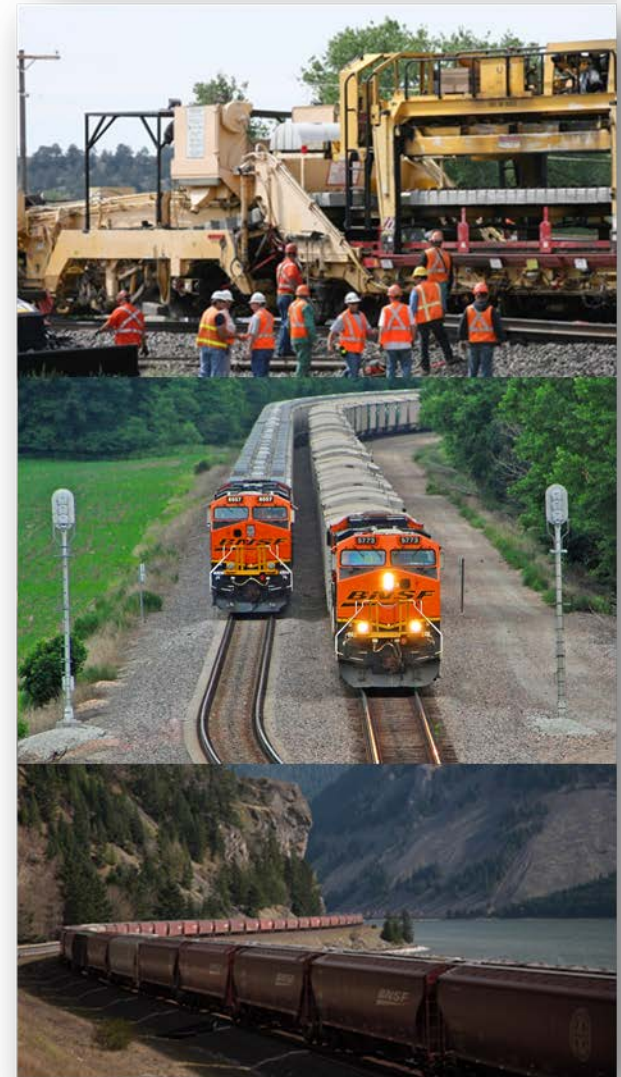
Plan to hire **5,000** additional employees in 2014, a large portion of which will be dedicated to Northern Corridor.

Locomotives

Active fleet is up 900 units with cumulative effect of new, leased and reactivated surge fleet. Purchasing **more than 500 locomotives** in 2014 to increase overall fleet to ensure necessary power where & when needed going forward.

Cars

Adding, replacing, and extending leases on **more than 5,000 cars** to maintain, refresh, and bolster supply. Cars to support new business, covered grain hoppers and various car types support Industrial Products.



BNSF Long-Term Actions to Add Capacity

Track

- Investing **\$600 million** in terminal & line capacity expansion projects, much of which will be spent in Northern Corridor.
- Large investment in replacement and maintenance to ensure we are operating at optimal levels.
- Added siding & terminal track capacity to accommodate rapid growth while also improving our existing infrastructure.
- Will complete **more than 66 miles** of new second main track on busiest segments of corridor in 2014.



BNSF Long-Term Actions to Add Capacity

BNSF 2014 Corridor Investment Outlook



Recovery Outlook by Region

South Region

Seeing improvement as Chicago recovers from weather conditions and normal terminal operations commence.

Central Region

Gradual improvement, more pronounced in spring as weather improves, short-term demand spikes moderate and additional locomotives come online.

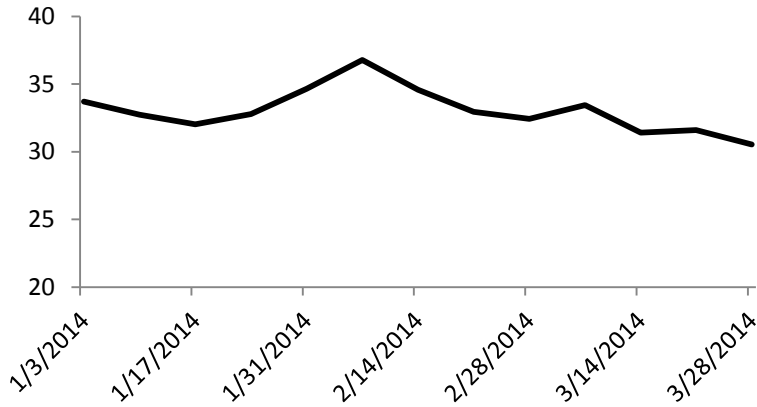
North Region

Will continue to improve as new capacity is added and comes online through 2014. Anticipated carload service improvement as weather continues to ease and Chicago interchange normalizes.



South Region

South Region AAR Dwell



AAR Dwell

Baseline
2/1-2/7

36.8

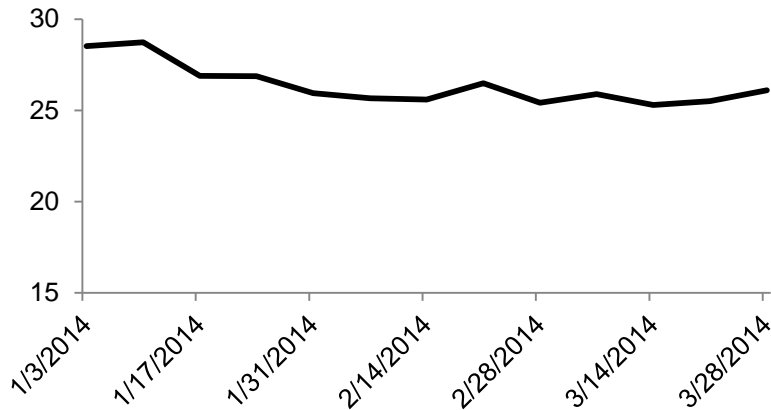
Actuals
1st QTR

32.9

Change
from Baseline

↓ 10.6%

South Region AAR Train Speed



AAR Train Speed

Baseline
2/1-2/7

25.7

Actuals
1st QTR

26.2

Change
from Baseline

↑ 1.9%

Recovery Outlook by Region

South Region

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Central Region

Gradual improvement, more pronounced in spring as weather improves, short-term demand spikes moderate and additional locomotives come online.

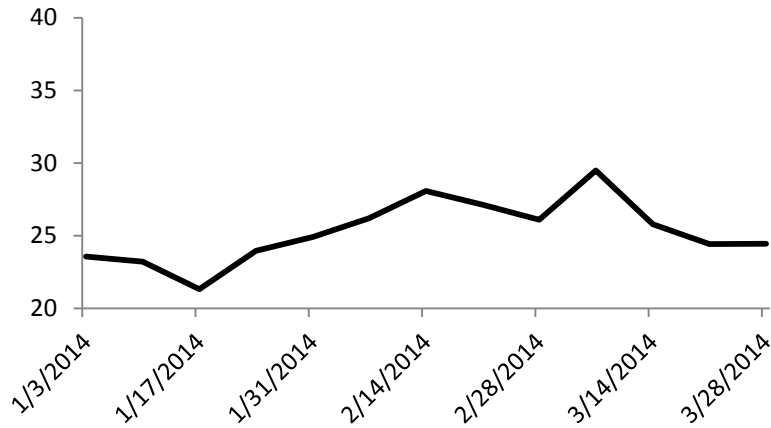
North Region

Will continue to improve as new capacity is added and comes online through 2014. Anticipated carload service improvement as weather continues to ease and Chicago interchange normalizes.



Central Region

Central Region AAR Dwell



AAR Dwell

**Baseline
2/1-2/7**

26.2

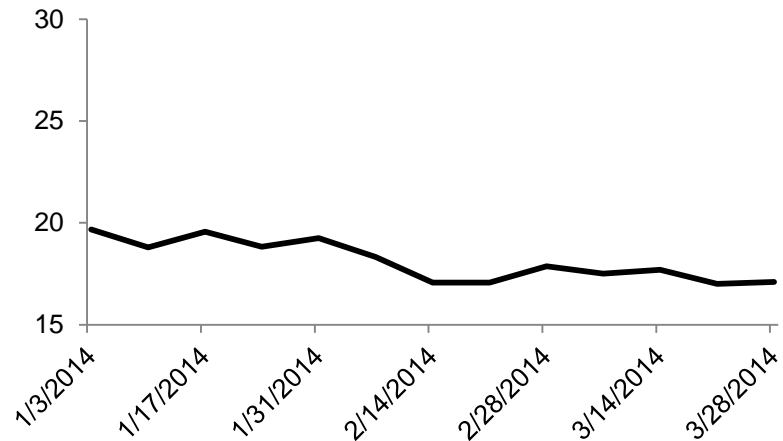
**Actuals
1st QTR**

25.0

**Change
from Baseline**

↓ 4.6%

Central Region AAR Train Speed



AAR Train Speed

**Baseline
2/1-2/7**

18.3

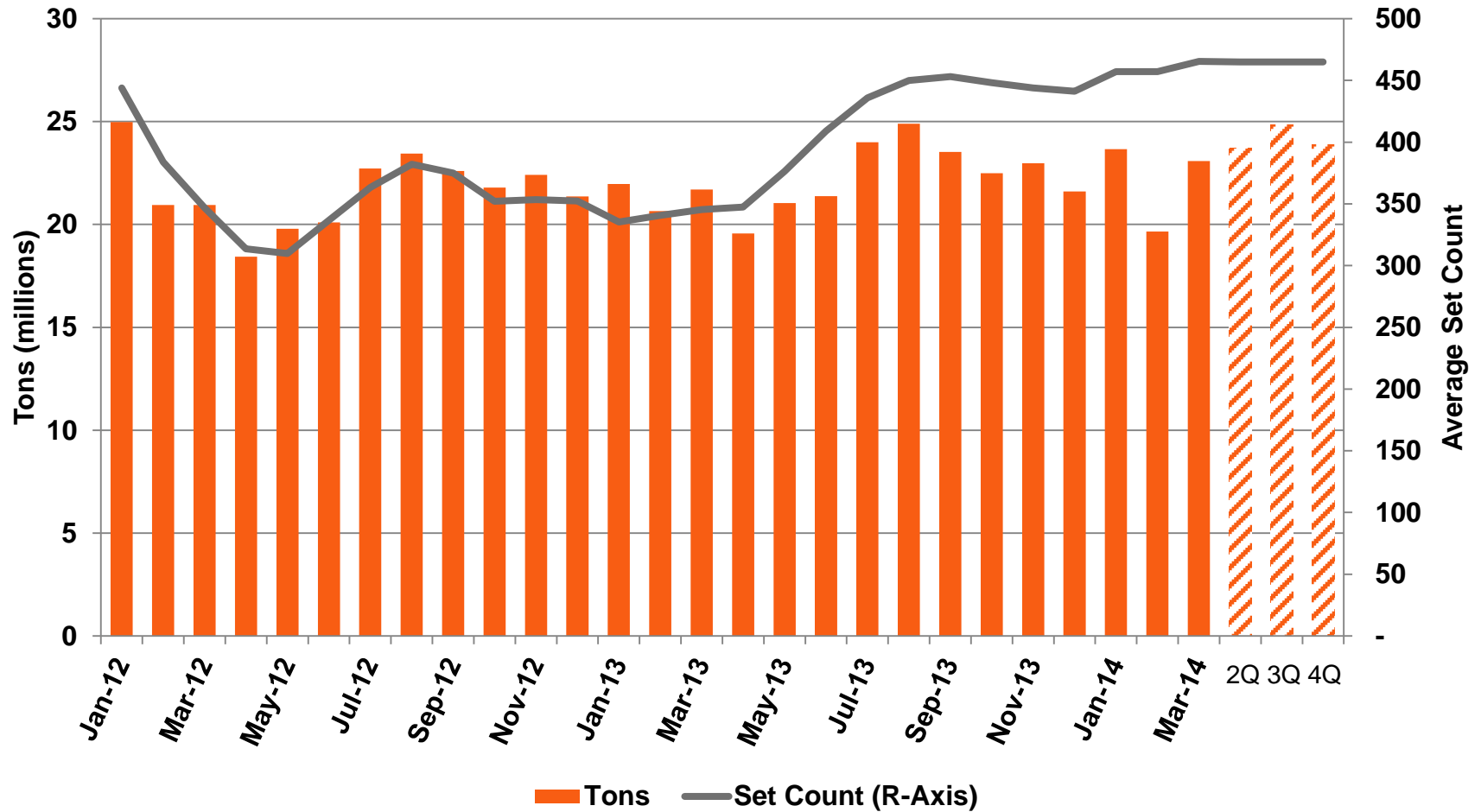
**Actuals
1st QTR**

18.0

**Change
from Baseline**

↓ 1.6%

Coal Tons



Recovery Outlook by Region

South Region

Seeing improvement as Chicago recovers from weather conditions and normal terminal operations commence.

Central Region

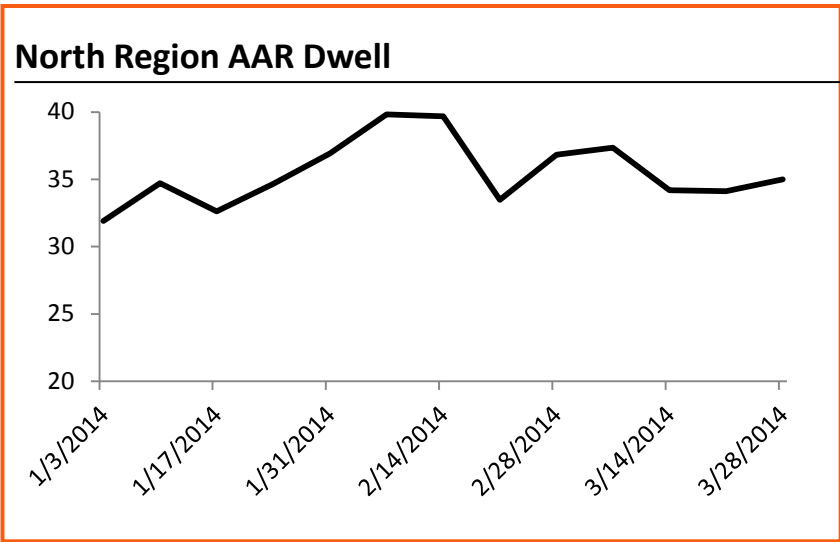
Gradual improvement, more pronounced in spring as weather improves, short-term demand spikes moderate and additional locomotives come online.

North Region

Will continue to improve as new capacity is added and comes online through 2014. Anticipated carload service improvement as weather continues to ease and Chicago interchange normalizes.



North Region



AAR Dwell

Baseline
2/1-2/7

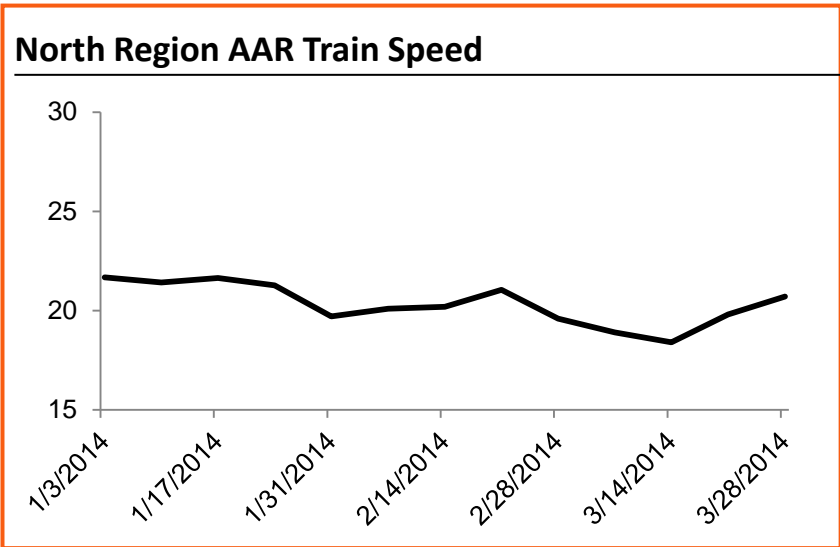
39.8

Actuals
1st QTR

35.5

Change
from Baseline

↓ 10.8%



AAR Train Speed

Baseline
2/1-2/7

20.1

Actuals
1st QTR

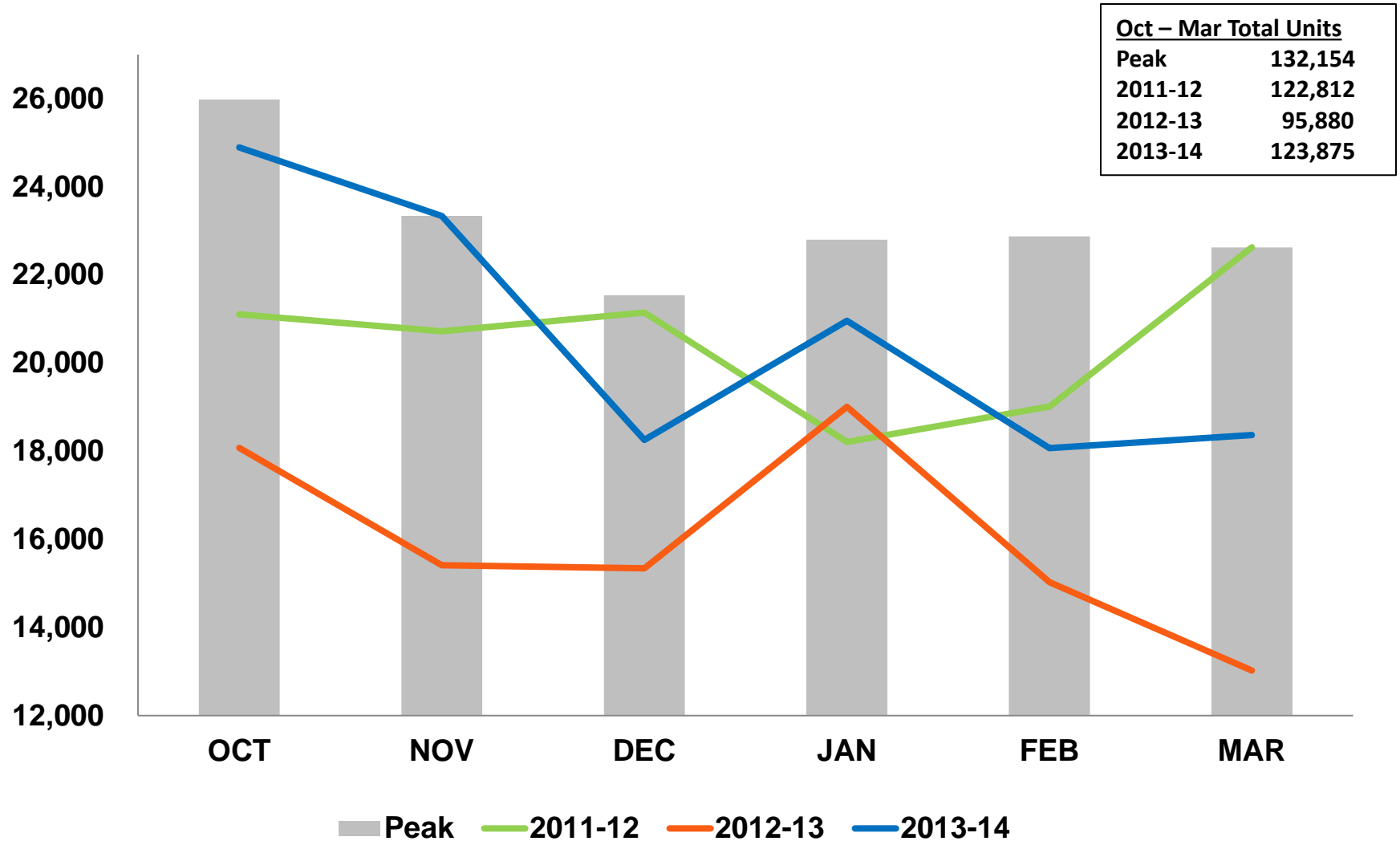
20.3

Change
from Baseline

↑ 1.0%

BNSF PNW Export Grain Units 2013-14

Exceeds 2011-12



Amtrak Performance: Empire Builder

Working Through Challenges



- Average Daily Lost Hours in Feb./Mar. on BNSF:

	Feb.	Mar.
Eastbound:	5.3	5.7
Westbound:	3.5	5.3


- Average Daily Lost Hours for Apr. 2014 is 2.9 for Westbound and 2.4 for Eastbound*
- Multiple Feb. and Mar. cancellations due to increased mudslides in WA and avalanches in MT

Outlook

- New Amtrak schedule in place Apr. 15
- Investment will reduce slow orders and service variability
- Improvement expected throughout 2014

Frequent Customer Contact

- Customer Communication
- Up-to-Date Metrics and Information
- Personal Meetings and Outreach
- Planned Efforts for the Rest of 2014

ServiceAdvisory

To: BNSF CustomersApril 4, 2014

Service Update for Friday, April 4

We continue to make progress in our efforts to improve service levels and have seen consistent improvements compared to February, when we experienced our most challenging operational issues.

This week, however, significant winter weather along our Northern Corridor hampered some efforts to improve the fluidity of our network. While we will likely continue to experience weeks where overall progress is not as strong as the previous week, we expect to continue to make steady improvements throughout the year. The following key indicators demonstrate our current performance:

Trains holding:

- Our snapshot of the number of trains holding on the BNSF system showed that we ended March holding 80 fewer trains than the beginning of the month. While we are disappointed at the number of trains that continue to be held short of their destination, we still recognize that the winter of 2013-2014 continues to create operational challenges impacting the Northern Plains and Upper Midwest. Our trains holding measurement is a count of trains not running due to a lack of a critical resource indicates more congestion is occurring on the network.

Coal velocity:

- The velocity for the movement of coal (miles per day) improved seven percentage points from last week*, driven by a six percent improvement in the Central Region. This improvement allows us to increase our loadings per day, helping to continue the stabilization of customer stockpiles.

Intermodal and Automotive performance:

- On-time performance improved nearly seven percentage points from last week, driven by improved car velocity and progress toward more typical network balance and traffic flow.

Industrial Products:

- Terminal dwell improved when compared to last week, with a 14 percent improvement in the time a railcar spends at the terminal. However, velocity declined four percent during the past week.

Agricultural Products:

- Past dues improved eight percent when compared to last week. Velocity declined five percent during the same time frame.

All of our customers are very important to BNSF and we continue to do all we can to serve you now and in the future. We welcome your feedback or questions about the efforts we are taking to improve service.

Thank you for choosing BNSF as your transportation service provider.

* March 26, 2014 vs. April 2, 2014.

The background of the slide is a photograph of a BNSF train in motion, blurred to convey speed. The train is moving from left to right. In the foreground, there is a dark, gravelly surface, likely a railway yard or track bed. To the left, a railway signal post with two lights (one green, one red) stands against a sunset sky. The sky is a mix of orange, yellow, and blue. The BNSF logo is superimposed over the center of the image.

BNSF[®]

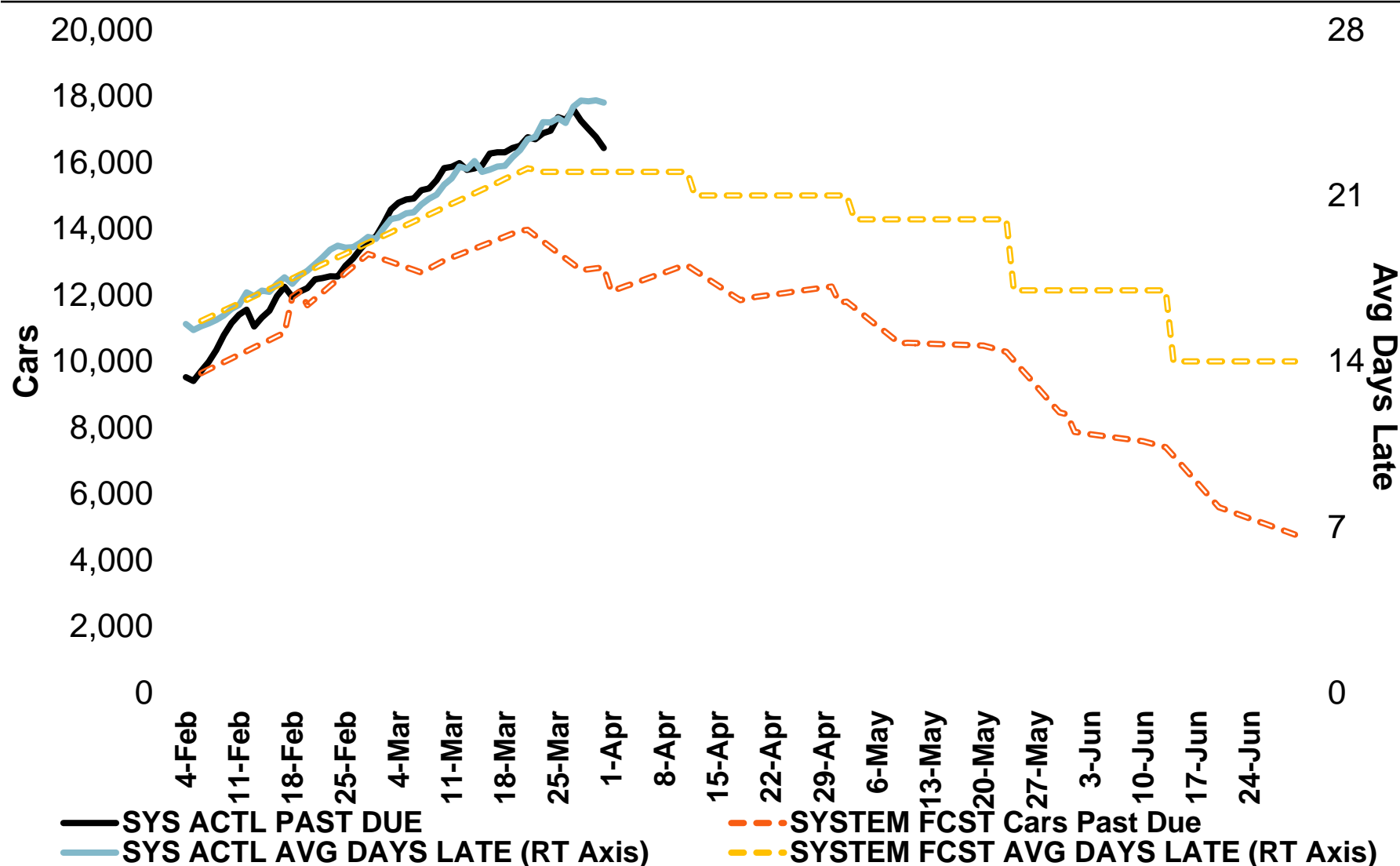
RAILWAY

Appendix

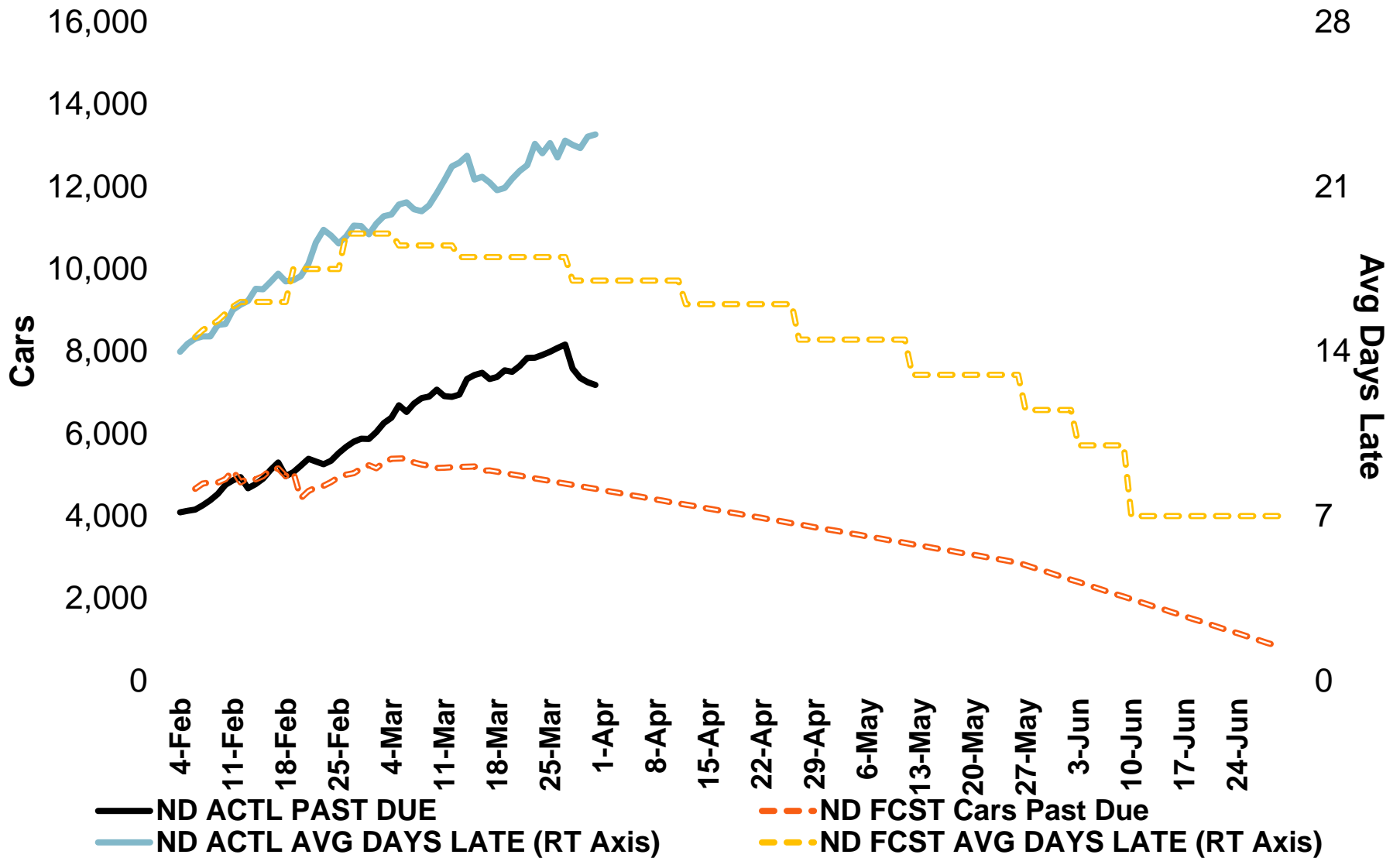
BNSF Dashboard Service Metrics

	Goal 3/31	Baseline 2/7	Actuals 3/31	Change from Goal
Past Due Cars				
# of Cars	12,831	9,982	16,432	 28.1%
Avg Days Late	22.0	15.6	24.9	 13.2%
	Goal Q1 2014	Baseline 2/1-2/7	Actuals 1 st QTR	Change from Baseline
Coal Avg Monthly Tons (in millions)	23.7	19.2	22.1	 15.1%
IM System Transit Days	4.20	5.32	5.04	 5.3%
AAR Terminal Dwell Hours	29.3	34.6	31.4	 9.2%
AAR Train Speed	N/A	21.8	21.9	 0.5%

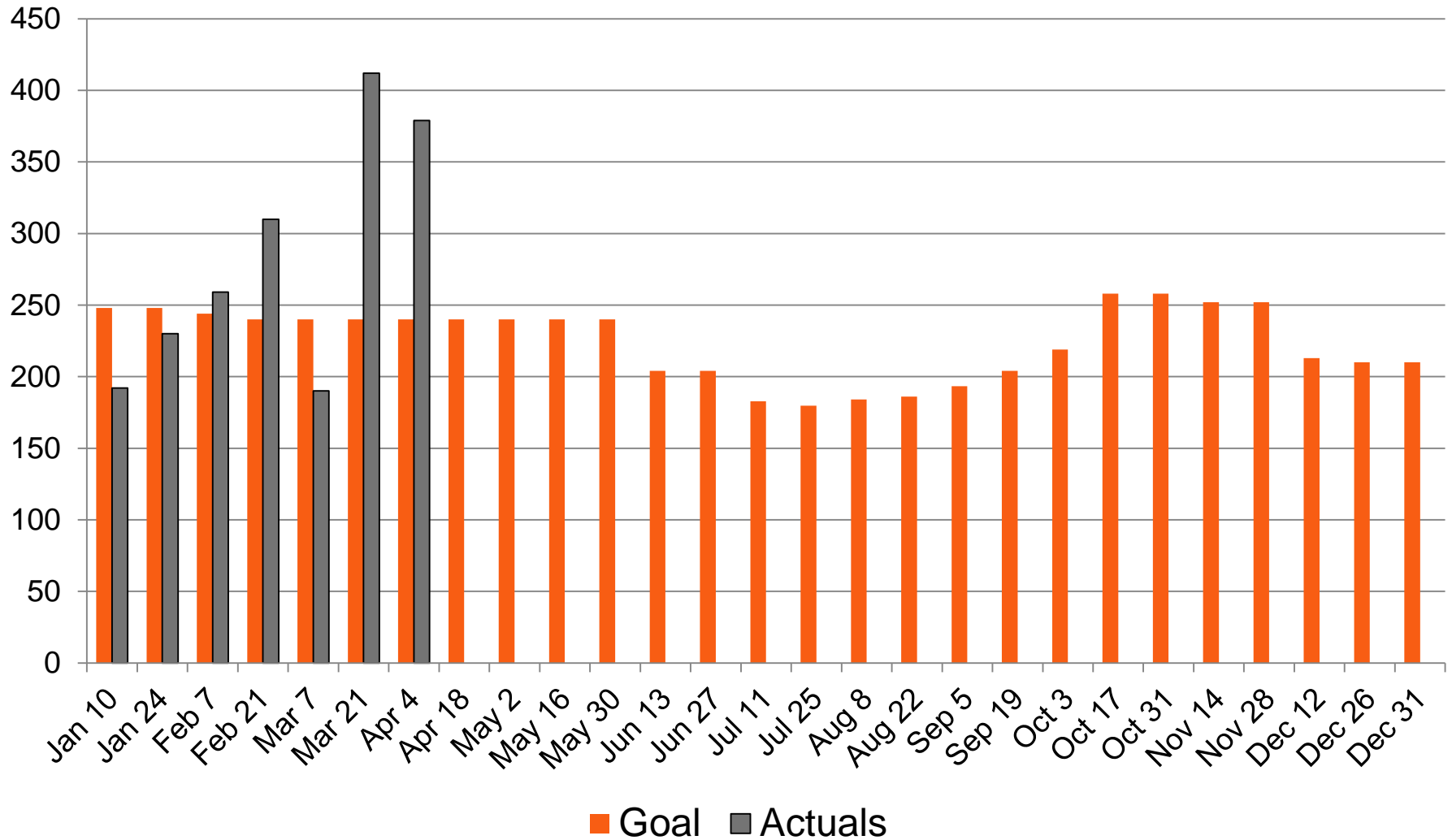
System Ag Past Due Cars



North Dakota Ag Past Due Cars



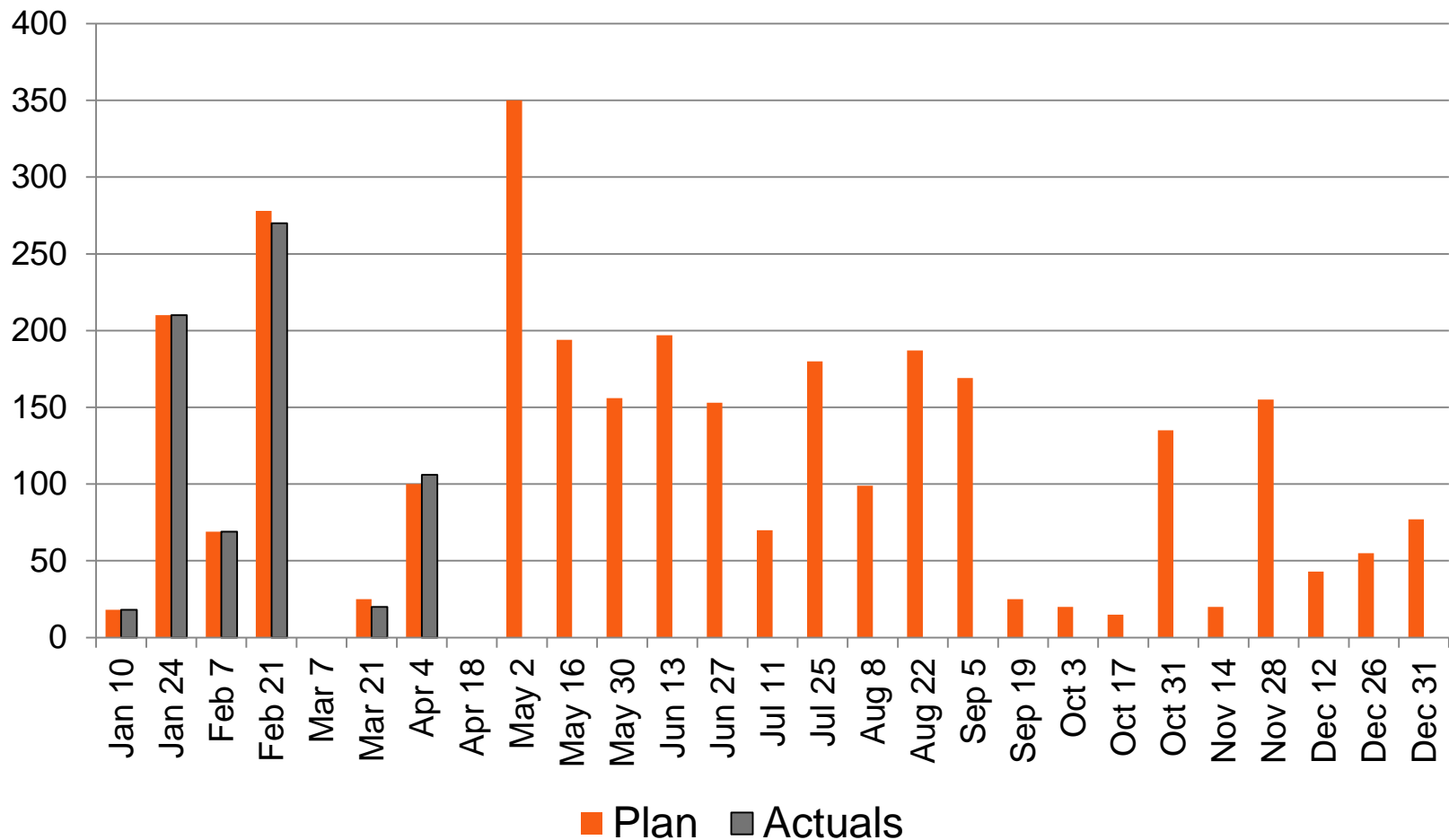
Sugar Cars Spotted – North Dakota



BNSF Long-Term Actions to Add Capacity

\$ Millions	Annual Goal	Q1 2014 Goal	Prior Period (QTD 3/21)	Actuals 1st QTR
People Hiring	3,000	650	587	692
TY&E	2,000	750	523	597
Eng & Mech				
Locomotive Acquisitions	500	108	107	112
Car – Acquisitions, Replacements & Extensions	5,000	300	179	239
Expansion Capital	\$ 900	\$ 130	\$65*	\$120
Replacement & Maint Capital	\$ 2,300	\$ 430	\$283*	\$477

System TYE Employees Hired & Trained

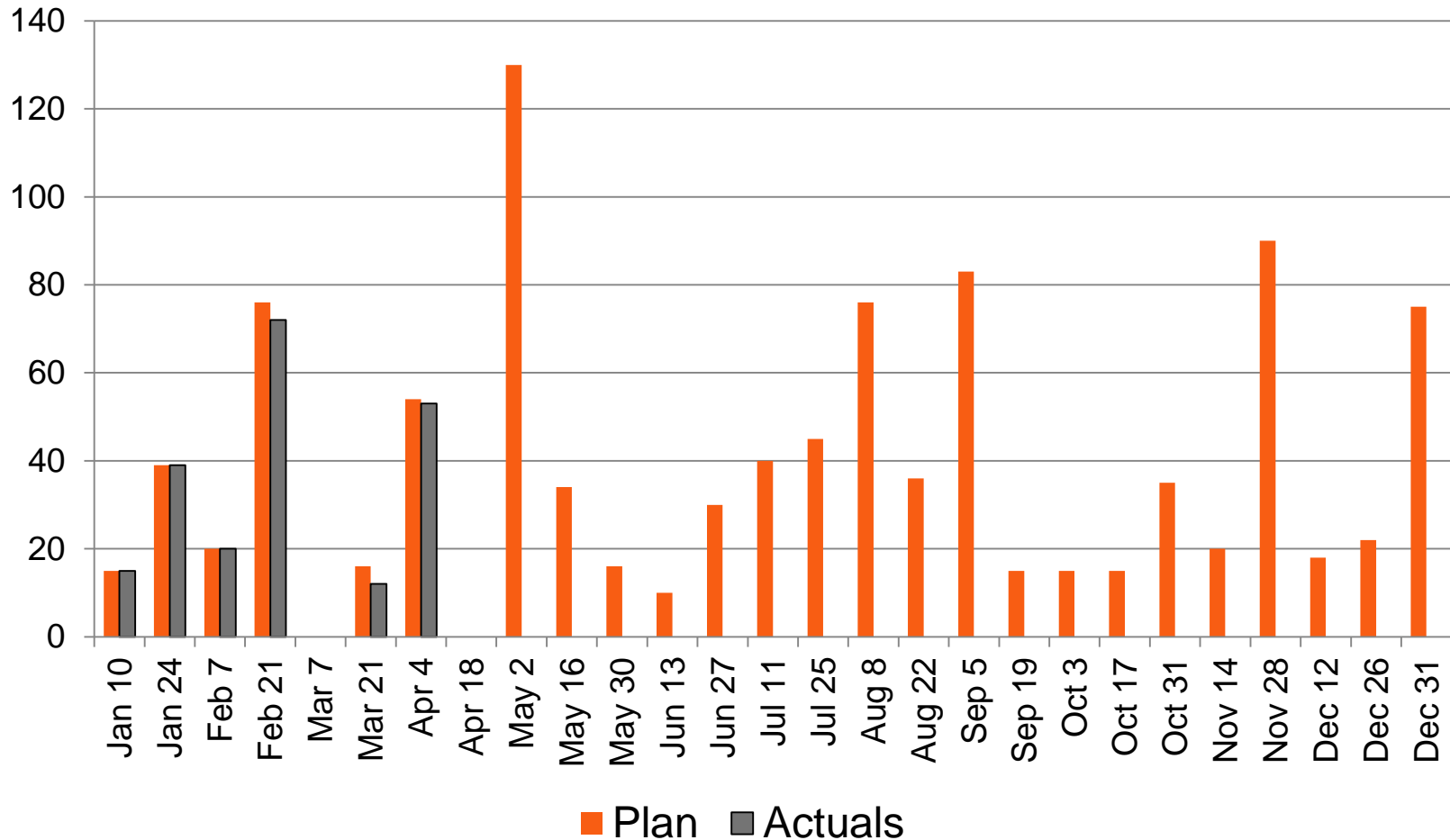


Cumulative	Jan	Feb	Mar *	Apr **	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Plan	297	575	650	1,100	1,400	1,750	2,000	2,450	2,500	2,650	2,825	3,000
Actual	297	567	692	693								

* Most of the hiring that happened during the two week period ending April 4th occurred in March.

** Actual is YTD through 4/4/14, plan is YTD through 4/30/14.

North TYE Employees Hired & Trained



Cumulative	Jan	Feb	Mar *	Apr **	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Plan	74	150	220	350	400	470	525	720	750	800	910	1,025
Actual	74	146	211	211								

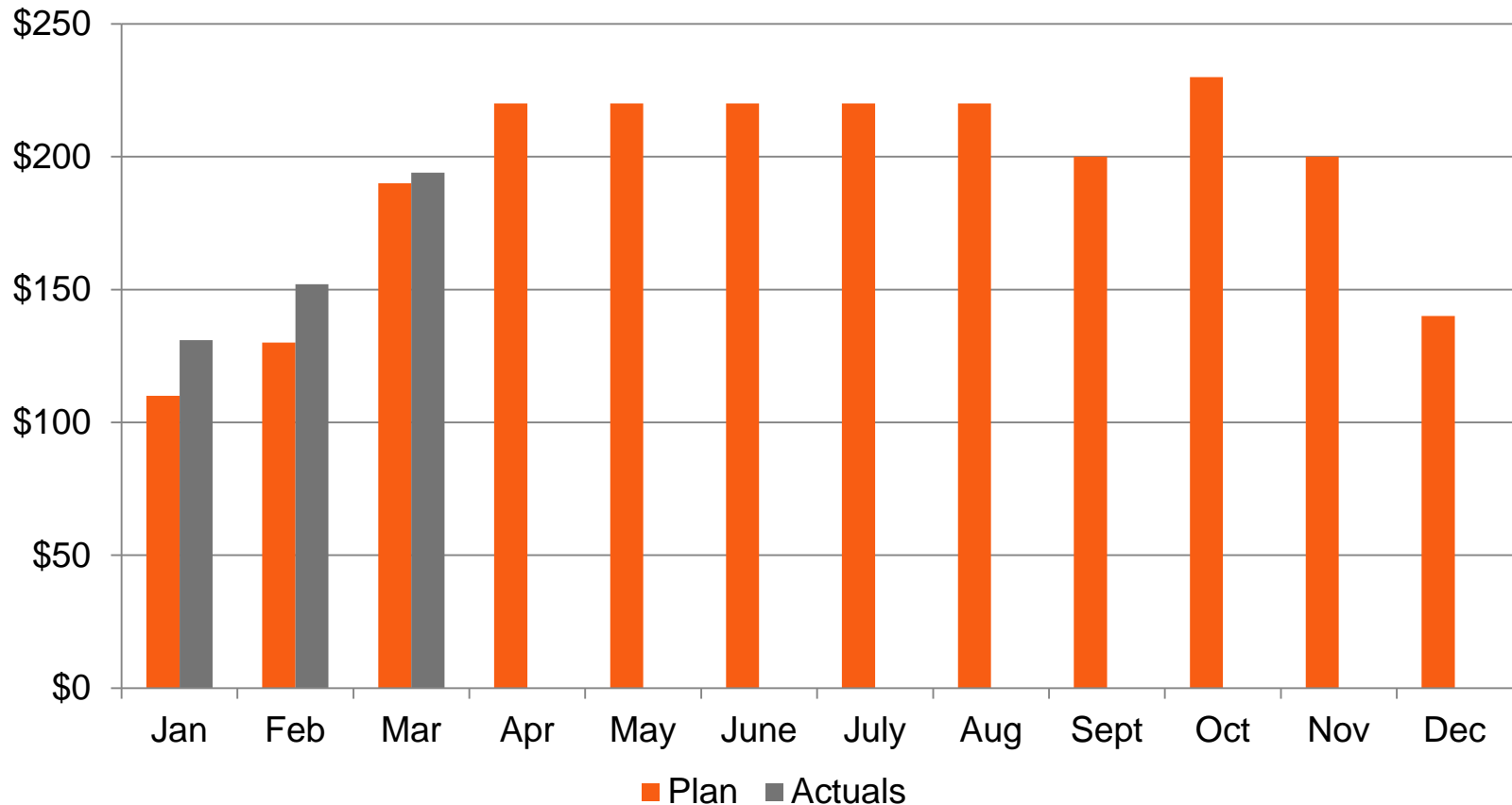
* All of the hiring that happened during the two week period ending April 4th occurred in March.

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System Capacity and Reliability

\$ Millions

Replacement & Maintenance Capital

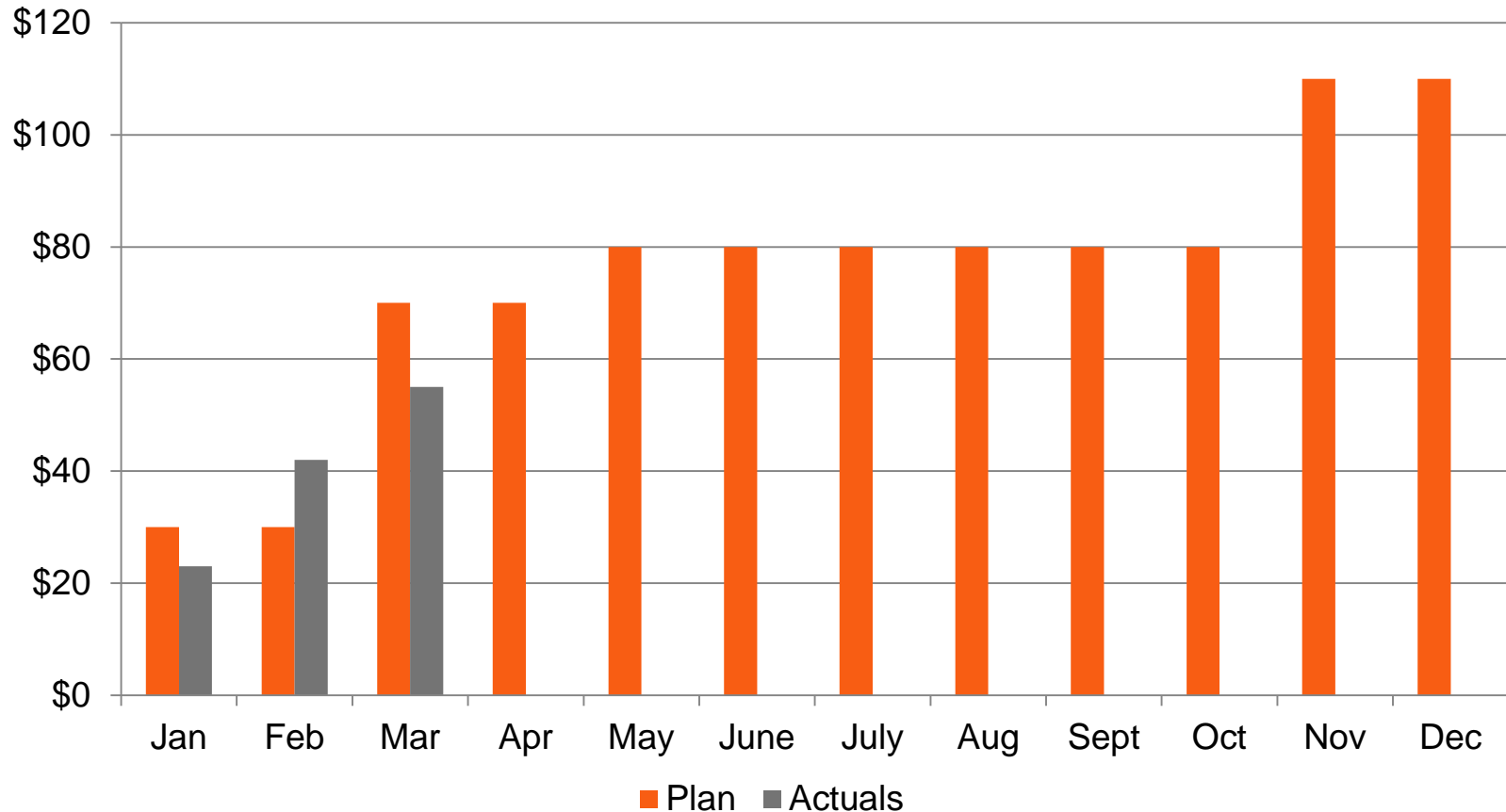


Cumulative	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Plan	\$110	\$240	\$430	\$650	\$870	\$1,090	\$1,310	\$1,530	\$1,730	\$1,960	\$2,160	\$2,300
Actual	\$131	\$283	\$477									

System Capacity and Reliability

\$ Millions

Expansion & Efficiency Capital

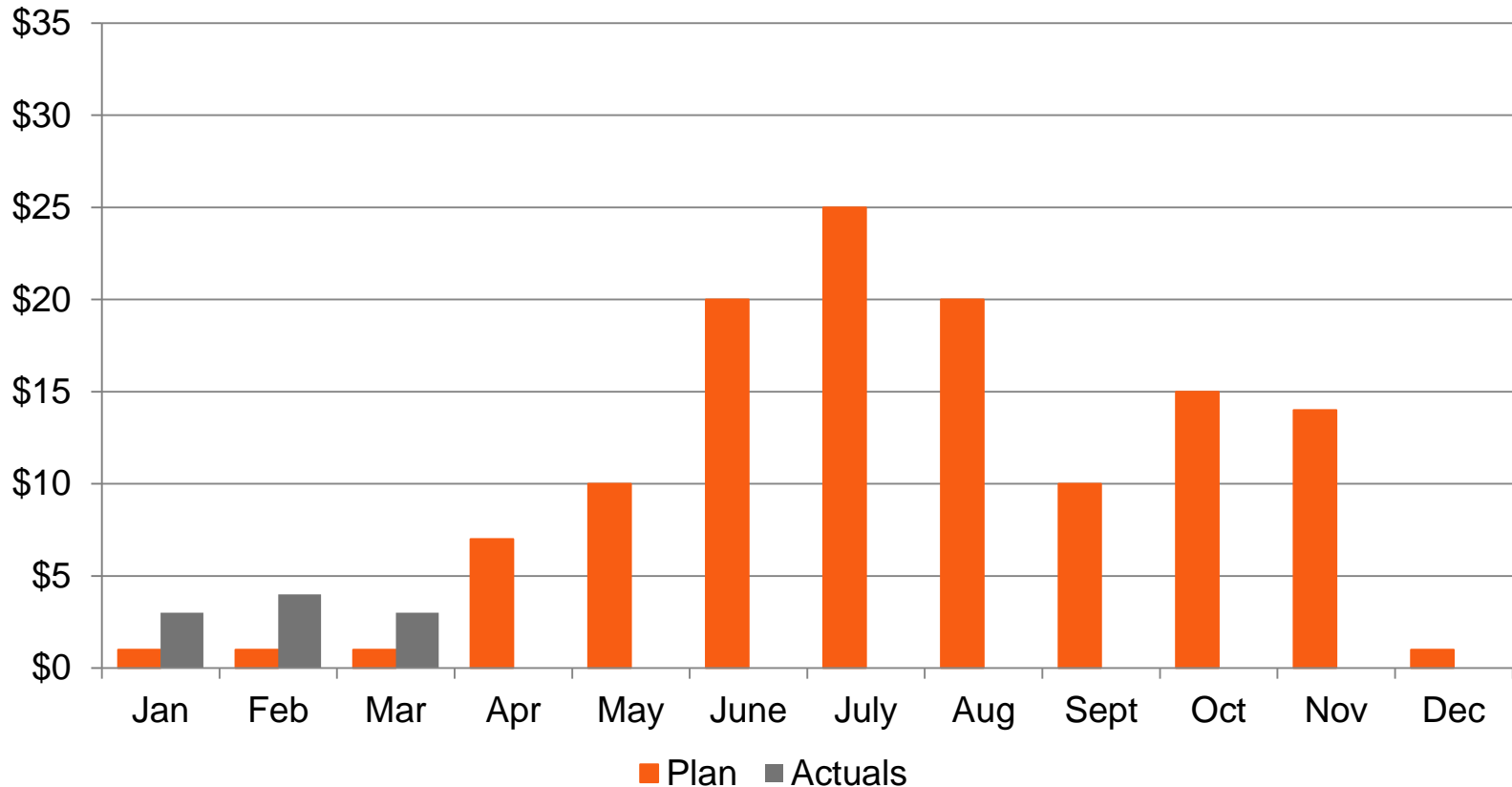


Cumulative	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Plan	\$30	\$60	\$130	\$200	\$280	\$360	\$440	\$520	\$600	\$680	\$790	\$900
Actual	\$23	\$65	\$120									

North Dakota Capacity and Reliability

\$ Millions

Replacement & Maintenance Capital

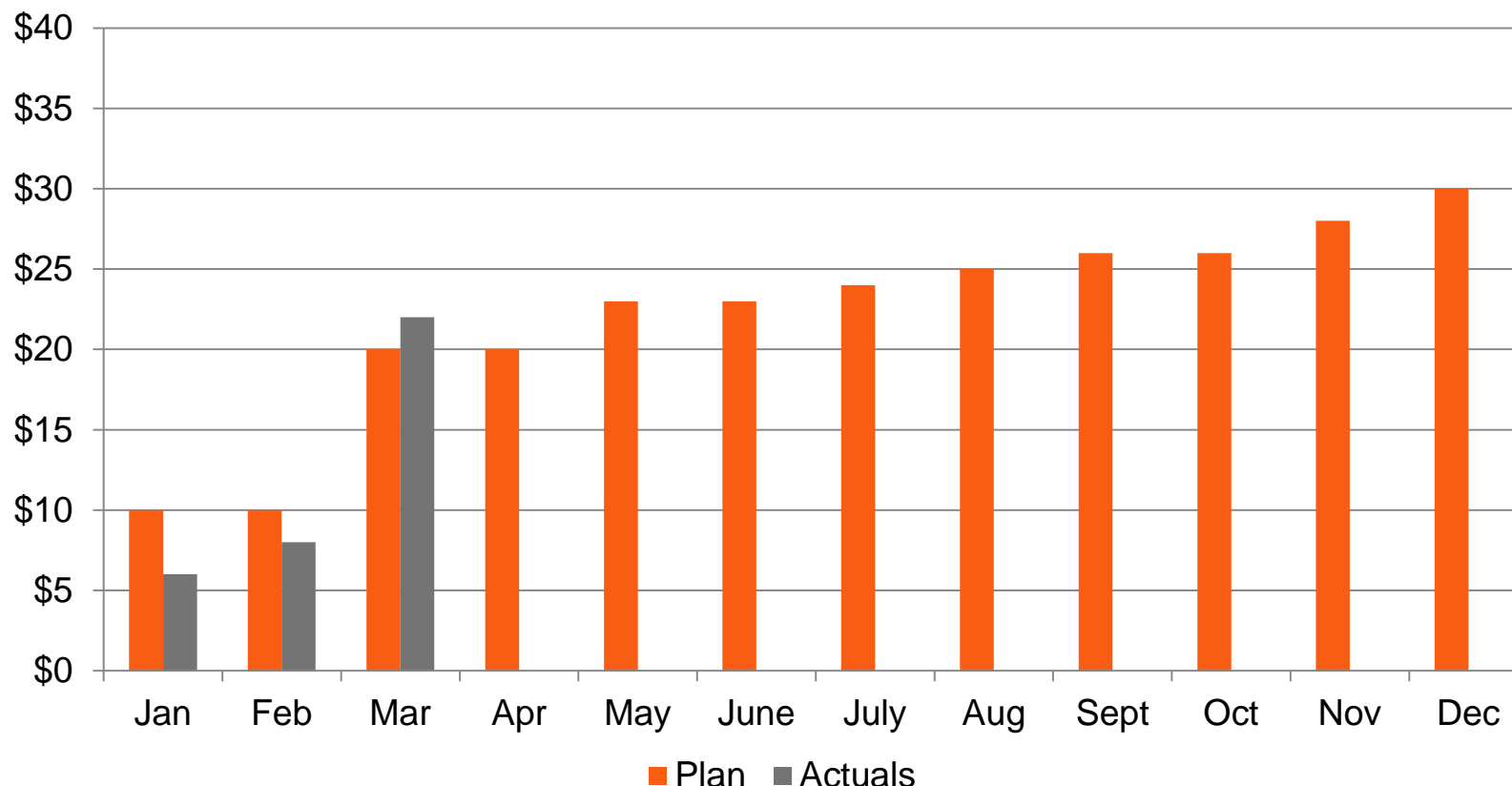


Cumulative	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Plan	\$1	\$2	\$3	\$10	\$20	\$40	\$65	\$85	\$95	\$110	\$124	\$125
Actual	\$3	\$7	\$10									

North Dakota Capacity and Reliability

\$ Millions

Expansion & Efficiency Capital



Cumulative	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Plan	\$10	\$20	\$40	\$60	\$83	\$106	\$130	\$155	\$181	\$207	\$235	\$265
Actual	\$6	\$14	\$36									